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NEWS SUMMARY

GENERAL

Afghan rebels step up fighting

Anti-Communists have stepped up the fight against the Afghan Government and its Soviet allies.

One report said the Soviet embassy in Kabul, the capital, was damaged by rockets in the fourth attack on the building this month.

In Kandahar, the second largest city, street battles have continued for 12 days with heavy casualties and more than 250 buildings destroyed.

7 die in gales

Seven died in the gales which lashed Britain at the weekend. Another man is missing presumed dead. **Weather report, Back Page**

Palace arrest

A young man was arrested outside Buckingham Palace after he was found to have what appeared to be a gun.

Death on DC-10

U.S. air stewardess Karen Williams was killed in an accident, thought to involve a lift, on a World Airways DC-10 over the Atlantic.

Iran executions

Iran executed 82 Left-wing militants including an MP's son in one of the biggest mass executions in the last three months.

'NHS doomed'

The end of the National Health Service and a reduced welfare state as private education and health insurance expand are predicted by economist Arthur Seldon. **Page 4**

Beirut bomb

A bomb exploded in a crowded cinema in a Moslem district of Beirut, Lebanon, killing three and injuring 28.

Caning case

Britain is being taken to the European Court this week over its attitude towards corporal punishment in schools.

Gun query

Home Secretary William Whitelaw is to be questioned in Parliament about the purchase of two sub-machine guns by Greater Manchester Police Force.

Bluebird bought

Bluebird, the car in which Sir Donald Campbell set a world land speed record of 403 mph, was bought for the nation for £55,000.

Belize's day

Belize, Britain's last colony on the American continent, becomes independent today. **Page 2**

Chunnel talks

British and French Transport Department officials meet in Paris next Monday for exploratory talks on the Channel Tunnel project. **Page 4**

Puppet love

Centenary celebrations for Pinocchio, the wooden puppet, with exhibitions, films and festivals, will last for two years in Italy.

Briefly . . .

U.S. golfers beat Europe 18½-9½ in the Ryder Cup at Walton Heath.

Fire damaged the London offices of Communist daily newspaper the Morning Star.

Polish Embassy First Secretary Wit Wojtowicz sought asylum in Stockholm.

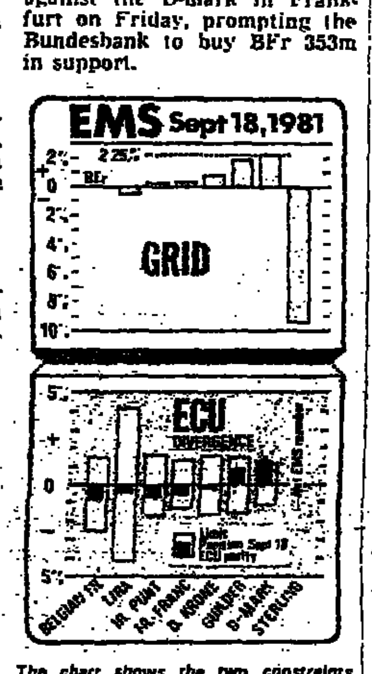
Two marathons involving more than 8,000 runners were held in Birmingham and Cardiff.

BUSINESS

Poland 'near to economic collapse'

● **POLISH** industrial output will fall 13 per cent this year, according to chief economic planner Zbigniew Madej, who says there will be an economic catastrophe and rationing of all consumer goods unless coal production increases. **Back Page**

● **SPECULATION** over a possible currency re-alignment brought renewed tension to the European Monetary System last week. The D-mark was very firm and placed outside its upper alarm bell limit, after intimations in the latest Bundesbank monthly report that it would favour a realignment of currencies. Such a move would be fiercely contested by the French, who wish to retain current parities. Pressure increased on the weakest currency, the Belgian franc, and it was fixed at its EMS floor against the D-mark in Frankfurt on Friday, prompting the Bundesbank to buy BFr 353m in support.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● **NEPAL** devalued its rupee 9.09 per cent against the dollar.

● **OPEC** International Development Fund is to lend Turkey $25m (£13.9m), Morocco $15m, Costa Rica $13.4m, and Burundi $7m.

● **INTERNATIONAL** Development Association, a World Bank affiliate, is resuming virtually interest-free loans to poor countries after the U.S. Congress committed $500m (£278m) to the programme.

● **FRENCH** economic ministers are to decide whether to override legal advice advocating nationalisation of foreign banks. **Back Page**

● **IRAN** has ordered a two-week halt in issuing letters of credit and is imposing other longer term severe trade curbs. **Page 2**

● **FANUC**, the Japanese electronics company plans to set up a manufacturing operation in Luxembourg. **Back Page**

● **JAPAN** wants some light commercial vehicles excluded from voluntary curbs designed to keep its UK market share below 11 per cent. **Back Page**

● **FIAT** car prices for most models have been increased by 4-5 per cent.

● **WELSH DEVELOPMENT** Agency is to build 22 advance factories in the Llanelli area, South Wales, in an £8.5m aid scheme. **Page 4**

● **BRITISH TECHNOLOGY** Group has funded Hytec Microsystems, through its new risk finance house for small businesses. **Page 6**

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French money market rates raised in move to help franc

BY TERRY DODSWORTH IN PARIS

THE FRENCH Government will this morning tighten its already stringent exchange control regulations and increase money market interest rates in an attempt to stop the current wave of speculation against the franc.

The moves, announced at the weekend, follow heavy pressure on the franc at the end of last week. The Bank of France is believed to have spent at least FFr 1bn (£100m) on Friday to keep the franc above its base level within the European Monetary System (EMS) against the D-Mark.

Announcing the measures, the French Economics Ministry re-emphasised the Government's belief in the stability of the franc.

While the Ministry would not specify yesterday how far it will try to lift the money market rate the indication is that this will be pushed up from 17.5 per cent to about 19 per cent.

Heavy pressure will meanwhile be put on the banks to maintain their rate for lending to domestic industrial and commercial clients at the present level, geared to a base rate of 14.5 per cent.

The Economics Ministry did not specify yesterday how the two rates would be insulated from each other, but it indicated that the higher costs the banks would have to pay to finance themselves would have to be met out of profits rather than in higher rates to their clients. Bank profits, officials argue, are adequate to bear these extra costs at present. The Government is also to prohibit all forward cover buying by importers.

The Economics Ministry said yesterday that these foreign exchange measures should not pose too serious problems for French industrialists because the slide of the dollar, which has dropped by about 10 per cent against the franc in the last month, had already given importers a significant advantage. It is reckoned that up to 70 per cent of France's imports are paid for in dollars.

According to the French authorities, the main reason for the current weakness of the franc within the EMS comes from the strong fillip which has been given to the D-Mark by the move of international investors out of dollars into the D-Mark.

The French franc, as in the past, has come under pressure as it failed to keep up with its main partner in the EMS. Twice on Friday the D-Mark hit its EMS ceiling of FFr 2.4093.

At the same time, the suggestions that the Government might be forced to change its policy and nationalise some of the international banks based in France also added to the speculative pressure.

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Union says BSC aims to end national pay talks

By Nick Garnett

MR IAN MACGREGOR, British Steel Corporation's chairman, was accused yesterday by the leader of the industry's biggest union of wanting to scrap all national-level pay negotiations, and rely solely on local productivity related bargaining.

The accusation followed a meeting at the end of last week between the unions and Mr MacGregor during which the chairman re-emphasised the weak state of the corporation's finances to meet any wage increase next year.

He is understood to have indicated that BSC would have to review whether it could afford to pay a rise to its workforce which this year secured an increase of 7 per cent, but only after a six months' pay freeze. A new settlement is due in January.

Mr Bill Sirs, general secretary of the Iron and Steel Trades Confederation, said yesterday that Mr MacGregor was "trying to eliminate national negotiations."

The union's executive is meeting soon to begin assessing what the union should seek on pay. This is expected to be related to the increase in the cost of living.

Mr Sirs, who is also chairman of the TUC steel committee, said that if the corporation told the unions there was no money for a rise next year, the public had a right to know what had happened to the money the Government had pumped into the corporation.

The ISTC has written to Mr Norman Tebbit, the new Employment Secretary about Mr MacGregor's unilateral trimming fom six to five of worker representation on the BSC board, and the support given to that by Sir Keith Joseph when he was Industry Secretary. The chairman also refused to accept the union's nominees.

Healey in row over allegations of barracking campaign

BY RICHARD EVANS, LOBBY EDITOR

THE FIGHT for the deputy leadership of the Labour Party produced further anger and recrimination yesterday when Mr Denis Healey accused one of Mr Tony Benn's leading supporters of orchestrating a barracking campaign against him, but was then forced to retract the allegation.

Mr Healey, after being shouted down at a Labour unemployment rally in Birmingham on Saturday, and at a Cardiff rally in the summer, alleged that Mr Jon Lansman, secretary of Labour's Rank-and-File Mobilising Committee, had personally led the attempts to wreck his speeches.

The accusations were immediately denied by Mr Lansman, who said he was not at either meeting, and Mr Healey issued a statement apologising for naming him on London Weekend Television's Weekend World programme.

Mr Healey, who is trying to fight off challenges from Mr Benn and Mr John Silkin in a contest that has split the Labour movement down the middle, added: "My mistake in identifying the individual responsible for orchestrating the demonstration against me at these rallies does not alter the important facts.

"There was an organised attempt at both rallies to prevent me from being heard. It was carried out by supporters of Mr Benn."

Mr Lansman, an active campaigner for Mr Benn and for the constitutional changes he advocates, said after the allegations were made that he had been in Aberystwyth at the time of the Birmingham rally and on holiday in Italy at the time of the Cardiff rally.

The incident will do little to improve the increasingly savage and angry tone of the campaign, or boost the morale of Mr Healey's supporters, who were becoming much more hopeful of his prospects of defeating Mr Benn.

The uproar at the Birmingham rally also came as a blow to Mr Michael Foot, the party leader, who was seeking to restore some semblance of unity by concentrating on the theme of unemployment and the need to defeat Mrs Thatcher.

But personal rivalries and partisan support proved too great, and the indications are that the campaign will continue its bitter progress until balloting takes place in Brighton next Sunday, on the eve of the party conference.

Labour's National Executive Committee, its ruling body, is to be asked to mount a full inquiry into the "organised disruption" of Mr Healey's speech. Mr John Golding, a right-wing member of the NEC, has written to Mr Ron Hayward, party secretary, requesting an emergency debate at Wednesday's NEC meeting.

The other divisive issue remains the voting intentions of the Transport and General Workers' Union, the largest union affiliated to the Labour Party. Its vote will probably decide the outcome of the deputy leadership.

The TGWU executive meets in London today to review the disputed results of a ballot of the membership. Supporters of both Mr Healey and Mr Benn claim entitlement to the union's massive vote.

During the Weekend World interview Mr Benn said that he was sorry that Mr Healey had been interrupted in his Birmingham speech, but "the theory that he was commanding an army in structions" was totally wrong.

He believed in the right of everybody to express a view, but he was not going to comment on things he had not witnessed.

Troubled Romania asks banks to roll over short-term debt to West

BY LESLIE COLITT IN BUCHAREST

ROMANIA has called on Western banks to "roll over" its short-term debt to the West, 25 to 30 per cent of its total indebtedness, because of a "temporary payments incapacity."

Mr Stelian Marin, a director of the Romanian Finance Ministry, said in an interview with the Financial Times that Romania did not aim at rescheduling but instead spreading out its short-term obligations to Western banks.

Romania, he said, did not want to be compared with "anyone else" in its present difficulties—a reference to Western comparisons between the Romanian and Polish financial conditions.

"We are Romania, no one else. Whenever Romania has had difficulties we have solved them ourselves," he said.

Mr Marin explained that Romania had sought fresh bank credits but interest rates were too high and the banks had been negatively influenced by reports of Romanian liquidity problems. Earlier this year, Romania received a three-year standby loan of $1.5bn (approximately £830m) from the International Monetary Fund to reduce its need for foreign borrowing. Mr Marin said Romania will have drawn down $400m of this by the fourth quarter of this year.

Western company representatives in Bucharest say they have been waiting [illegible] instead of 90 days to receive payments from the foreign trade organisations because of the shortage of convertible currency. Romania often has been laggard in its payments to suppliers but now the situation is regarded as more serious.

Referring to the unwillingness of U.S. and European banks to extend further short-term credits to Romania, Mr Marin said a real business partner is one "who is loyal when you are having difficulties."

Those banks "giving us headaches" would not be getting Romania's business in the future," he added. "We can find other banking partners and are in the process of getting them."

Mr Marin put Romania's total foreign debt at $6bn (approx £3.4bn) at the start of this year, a figure well below Western estimates of $10bn to $14bn. Romania has told the IMF its current account deficit this year will be [illegible] after a record deficit last year of $2.46bn.

By slashing the growth in the value of imports to 5 per cent, compared with 23 per cent last year, and by exporting 14 per cent more to the West, Romania hopes to cut the 1981 deficit further to $1.2bn. However, Western trade sources note that Romania was faced with maturing debts this year of $2.4bn.

Mr Marin disclosed that Romania holds 3.6m ounces of gold in its reserves. At current prices, that would be worth nearly $2bn but Mr Marin said there are no plans to sell it.

Continued on Back Page

Croydon by-election expected in a month

BY RICHARD EVANS, LOBBY EDITOR

THE BY-ELECTION at Croydon North-West, one of the most significant in years, is likely to be held on October 22, immediately following the Conservative Party conference at Blackpool.

The date has been chosen deliberately by the Tories, who held the seat at the last election with a majority of 3,769, to take maximum advantage of publicity from the conference, and exert pressure on the Government's critics within the party to maintain a discreet silence at Blackpool rather than damage Tory chances.

The contest, caused by the death in the summer of Mr Robert Taylor, will test the strength of the newly-forged Social Democratic / Liberal alliance for the first time in the South, where both parties have the best prospect of winning seats from the Conservatives.

It will also provide the first electoral test for the Tories after the Prime Minister's decision to choose a harder-line Cabinet and press ahead with her economic strategy.

If Labour, which came a good second at the General Election, can again beat Mr William Pitt, the Liberal representing the alliance, it would be a tremendous boost to morale. But should Mr Pitt capture the seat, both major parties will be left in no doubt that the majority of their seats are vulnerable.

Meanwhile, Mrs. Shirley Williams could have an opportunity of returning to Westminster if Mr Robert Mellish, former Labour Chief Whip who sits for Bermondsey, resigns as expected in November before the new session of Parliament.

U.S. in crucial talks on Namibia

BY J. D. F. JONES IN WINDHOEK

THE FUTURE of Namibia may be resolved this week at a series of crucial meeting in Zurich, New York and Pretoria.

Dr Chester Crocker, the U.S. Assistant Secretary of State for African Affairs, is in Zurich to outline the U.S. plan for the future of the territory to a senior South African delegation, led by the country's Director General for Foreign Affairs and the Administrator-General of South West Africa.

The South African Cabinet will meet in special session tomorrow in Cape Town to discuss the plan. In the meantime, representatives of five Western nations—Britain, West Germany, France, Canada and the U.S., known as the Contact Group—will be briefing representatives of the South West Africain People's Organisation (Swapo) in New York. Swapo is the main organisation fighting for Namibian independence.

Finally, the foreign ministers of the five are scheduled to meet on Thursday in New York, where Mr Alexander Haig, the U.S. Secretary of State, will take his colleagues through the final details of the U.S. proposal.

Reports of details of the U.S. plan were leaked here and later in South Africa at the weekend.

The leaks seem designed to reassure the Namibian and South African whites that there will be no "sell-out" to Swapo.

The U.S. plan, however, will be based on the United Nations Security Council Resolution 435 of 1978—as it must be if it is to have any chance of international acceptance. This provides for UN-supervised free elections in Namibia. The problem has been to "strengthen" the resolution to reassure the South Africans. Diplomats have confirmed that for this reason, the plan includes references to:

● Constitutional guarantees concerning the political, property and religious rights of the minority (including the 100,000 whites of the 1m population).

● Some concessions to South African objections to the proposed UN observer force in the territory. The UN is to supervise elections and might be drawn primarily from Western countries.

● Clauses to ensure that Cuban troops based in Angola will be held back at a safe distance.

Other clauses, such as the monitoring of Swapo bases, are confirmation of the original Resolution 435.

South African diplomats have been at pains recently to emphasise that Pretoria has not abandoned its acceptance of the 1978 resolution, nor its desire for an independent Namibia.

One recurrent problem has been the unfavourable attitude of the "internal" parties in Namibia. On Friday their leaders were called to Cape Town by Mr P. W. Botha, the South African Prime Minister.

Reginald Dale adds from Washington: The State Department yesterday said the Zurich meeting was called at South African request to clarify some points of the Namibian independence plan which Washington and Pretoria have been negotiating privately.

Officials did not deny reports from South Africa that January 1, 1983, is the target date for independence.

Joseph to discuss China N-plant plan

BY HAZEL DUFFY IN TOKYO

A PROPOSAL to build a nuclear power station in China is to be discussed during Sir Keith Joseph's visit to Hong Kong today and tomorrow. Sir Keith flew to Hong Kong from Tokyo yesterday as part of a Far East visit, planned some time before last week's Cabinet reshuffle which sent him from the Department of Industry to Education.

A feasibility report on building the nuclear power station in Canton province has been under discussion by the Chinese Government for the past six months. The lack of finance for major capital projects in China has been a stumbling block, but British Government officials are growing more optimistic that this one could go ahead.

The plan is that a 900MW nuclear power station be built for Guandong Electric Power Company, close to the border with Hong Kong. It would sell a major part of its electricity to Hong Kong — essential to financing the project. China is also giving high priority to energy development.

The main protagonists for the project are China Light and Power, one of Hong Kong's two main electricity suppliers, and GEC, which would be in a position to supply the turbines—hence the strong support from the British Government.

Sir Keith is expected to meet Lord Kaldoorie, chairman of China Light and Power, and will be visiting the Castle Peak power station in the New Territories, where GEC earlier this year led the consortium which won a £550m contract to build the second stage of Castle Peak.

GEC is licensed by the Westinghouse Corporation to build turbines for the PWR (pressurised water reactor) type of nuclear power station, but the reactor would have to be supplied by another contractor, probably French or American with experience in building complete PWRs.

Two senior GEC executives—Mr John Lippett, export director, and Mr Bob Davidson, managing director of GEC turbines—went to Canton for talks on the China proposal when they were in Hong Kong earlier this year, negotiating the final stages of the Castle Peak B contract.

Contact has been maintained between the governments of the UK and China at official level since then, and Lord Kaldoorie recently has been expressing optimism about the project in Hong Kong.

CHURCH DEMANDS ACCESS TO RADIO AND TELEVISION

Polish bishops attack official control of media

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S CATHOLIC bishops have come out strongly against the official monopoly of broadcasting in a statement read out yesterday in churches throughout the country.

The bishops say that "all social groups should be permitted to use the mass media which belongs to the whole of society and should serve society."

The church's demand for access to radio and television is a long-standing one, which was only partially satisfied last year when the church was permitted to broadcast mass every Sunday.

The statement comes as Solidarity and the Government are locked in controversy over the conditions of Solidarity's access to the media, and the statement provides important backing for the union.

The bishops, however, do recognise that freedom in the media "does not exclude control, as freedom can be abused."

This signals to both the authorities and Solidarity that the church is not demanding the abolition of censorship. However, the bishops do say that the control over the media "must be institutionalised and limited," a reference to the new liberalised censorship law which is due to come into force next month.

The church support for the union's case on this issue is all the more important as the party leadership is looking to it for help in stabilising the situation in the country.

Reuter adds: Pressure is expected to continue this week to persuade Solidarity to temper radicalism before the next session of its Congress later this week.

The Sejm (Parliament) is scheduled to meet and a Communist Party central committee plenary session may also be held.

National television has stepped up a campaign against what it calls Solidarity's political ambitions. Last night, a group of young soldiers was shown on television condemning the movement's "counter-revolutionary" aims.

Solidarity has not yet formally reacted to last week's Kremlin letter which gave the Poles their sternest warning to date. Union leaders are due to meet tomorrow or on Tuesday to consider the matter.

The union's demands for some control over reports of its activities in the mass media frequently draw accusations that it is seeking to usurp political power from the Communists. It denies the charges.

Solidarity barred national television from the first part of its Congress in Gdansk earlier this month after the authorities refused to give the union some editorial control over the coverage.

Coverage of the second part of the Congress is expected to cause more friction in the next few days.

Labor back in New South Wales

By Patricia Newby in Canberra

The Labor Government of Premier Neville Wran was returned to office at the weekend with the largest majority ever gained in New South Wales, Australia's richest and most populous state.

It is the third successive term for Mr Wran's moderate-to-right-wing Labor Government. Until now, terms of office in New South Wales have been for three years as in the federal sphere, but a referendum of voters carried out with Saturday's election seems certain to endorse four-year terms.

On the count so far, the Labor Party seems likely to have 69 of the 99 seats in the Lower House, the legislative assembly, six more than its previous record number. The Wran Government is also expected to have a comfortable majority in the Upper House, the legislative council.

Although there was a swing away from the Government of about 1 per cent, it benefited from a redistribution of electoral boundaries.

Iran Central Bank acts to cut imports flow

BY TERRY POVEY IN TEHRAN

IRAN'S CENTRAL Bank has ordered a complete halt for two weeks in the issuing of letters of credit and it is also imposing other longer term severe restrictions on trade.

These emergency measures are being taken to cut the flow of imports and to prevent falls in the country's foreign exchange reserves.

The Iranian Government and the Central Bank appear to want to reduce the total foreign exchange requirement to $900m (£490m) a month.

Armaments and services are estimated as accounting for $300m of this, so regular imports would be pegged at abount $600m.

The figure is just over half the monthly average for the first seven months of 1981, and is lower than any single monthly total in the last two years.

A six-month deadline has been set for reaching the $900m target.

The ICB's measures were contained in two circulars sent to Iranian banks last week. In the first of these is the ban on letters of credit for the period September 15 to September 28.

The second circular will have a more lasting effect and intends to limit imports to the absolute minimum of raw materials, armaments, food and capital goods for use on approved projects.

Two committees, one technical and the other at a more senior executive level, are to decide on priority goods. Private sector importing of finished goods and of anything that could be described as a luxury is completely banned.

Israel 'not interfering' in Awacs hearing

BY DAVID LENNON IN TEL AVIV

MR MENAHEM BEGIN, Prime Minister of Israel, yesterday rejected U.S. charges that Israel is interfering in the congressional hearing on Washington's proposal to sell sophisticated Awacs surveillance aircraft to Saudi Arabia.

Speaking after briefing the Cabinet on his recent talks in Washington, Mr Begin said the charges by U.S. Senator John Tower that Congress was being asked to choose between Mr Reagan and Mr Begin were *without foundation.*

"The argument on the Awacs is not a personal one between Reagan and myself," he said.

The Cabinet yesterday issued a statement voicing "unreserved opposition to the sale of the sophisticated weapons to the Saudis, including offensive equipment for the F-15s and the most sophisticated bi-plane in the world, the Awac."

Last week Mr Begin was criticised by the opposition Labour Party for not fighting strongly enough against the Awacs (advanced warning and control systems) deal. Yesterday he denied that he had muted his opposition

Mr Begin also said that during his talks in Washington with the President and other Administration officials, he "never heard of any connection" between Congress's approval of the Saudi arms deal and the development of the new strategic partnership between Israel and the U.S.

Reuter adds from Jerusalem: Arab West Bank majors said yesterday they had stopped all development projects because they had no money following an Israeli ban on funds from the Arab world.

Belgian Premier's resignation expected

By Giles Merritt in Brussels

MR MARK EYSKENS, the Belgian Prime Minister, is expected to resign today as a result of his country's sixth political crisis in less than two years.

Mr Eyskens appears to be left with no choice but to step down following the collapse of his four-party coalition government.

Last Friday, the Francophone Parti Socialiste Ministers in the government declared that they were "on strike" and would take no further part in the business of government. Although informal talks and contacts have taken place throughout the weekend, the chances of the rift being repaired look slim.

The Walloon socialists' unprecedented ministerial strike stemmed directly from disagreement in the coalition on the policies that should be adopted to rescue the ailing steel industry of Wallonia.

The Parti Socialiste is resisting sternly closure proposals and job losses that are an inevitable condition of refinancing the steel producers in the new Cockerill-Sambre combine.

The row over steel, which looks set to topple Mr Eyskens after barely six months in office is, however, only a symptom of the deep-seated disagreement over economic policy.

The dominant Social Christian Party from whose Flemish CVP wing Mr Eyskens comes, is demanding tough budgetary cuts for 1982 that are anathema to the Walloon socialists.

The splits in the government are more clearcut than ever and it seems that Belgium cannot escape a general election.

U.S. labour leaders jubilant over protest to Reagan

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

U.S. LABOUR leaders were yesterday jubilant at the success of Saturday's massive demonstration in central Washington against President Ronald Reagan's economic policies.

More than 250,000 protestors marched to Capitol Hill in the largest turnout since the Vietnam era and the first mass demonstration against the Reagan Administration.

Mr Lane Kirkland, president of the AFL-CIO labour federation which organised the event, said it showed that Mr Reagan could no longer claim to speak for the average American workers—many of whom helped to vote him into office last November.

The "Solidarity" march, named deliberately after the Polish trade union, marked a new attempt by organised labour to gain the political initiative, after a long period in which it has appeared to be drifting somewhat aimlessly.

Mr Kirkland has abandoned the AFL-CIO's past practice of seeking close relations with Presidents of both parties, and worked hard in recent months to build a solid link with the Democratic Party.

David Lascelles adds from New York: The 300,000-strong Teamsters' Union has agreed to begin negotiations earlier than usual on its next three-year contract which starts next April, apparently because of the rocky state of the transport industry.

An early start to the talks would not only reduce the likelihood of a strike over the terms, it also suggests that the teamsters will be more willing to negotiate concessions to keep their members in work.

India will hold further nuclear tests, Gandhi says

BY K. K. SHARMA IN NEW DELHI

MRS INDIRA GANDHI, India's Prime Minister, says the country will carry out further nuclear tests of the kind conducted by the Atomic Energy Commission in Pokharan in the desert of Rajasthan in 1974.

But Mrs Gandhi insisted that India would not manufacture nuclear bombs, implying that the Pokharan explosion was meant for peaceful uses. When the explosion was made in 1974, India was criticised strongly.

Mrs Gandhi made her statement on further explosions in an interview with the Melbourne Age newspaper just before she is to visit Australia for the Commonwealth Heads of Government Conference at which she has already let it be known that India will oppose the return of Pakistan to the organisation.

Pakistan left the Commonwealth in 1972 when Bangladesh was admitted, and has indicated that it would welcome an invitation for readmission.

Modest Belize becomes independent haven

BY HUGH O'SHAUGHNESSY IN BELIZE CITY

BELIZE, BRITAIN'S last colony on the American continent, which became independent this morning, is a modest and down at heel sort of place.

Belize City, the principal port and commercial centre of this 9,000 sq mile country, has many times been ravaged by hurricanes. The last one, Hurricane Hattie, was in 1961. But from the look of the city, where a third of the 140,000 Belizians live, it could have been much more recently.

Low-lying and set in mangrove swamps, Belize City looks out on to the Caribbean. The peeling and scruffy facades of the main buildings contain equally scruffy shops and offices. There is no sewage system and precious little land to build on in the fetid bog surrounding it. There are no international hotels, precious few restaurants and in spite of being Belize's main port of entry, the tiny jetty can handle only the shallowest of cargo vessels.

Belmopan, the seat of government for the newly independent Belize, is surely the world's smallest capital city. A mini Brasilia of 6,000 inhabitants, Belmopan was built after Hurricane Hattie in the cooler foothills of the Maja range, an hour's drive along one of the two roads that link Belize City with the outside world.

Belmopan's shopping facilities consist of a score of market stalls and a couple of small self-service stores. The financial centre of Belmopan is made up of the agencies of Barclays Bank and the Royal Bank of Canada—both of the size to be found in one of the smaller English villages. These and the market stalls nestle at the foot of a small knoll on which stand the legislature and government offices, monumental in their architectural concept but the size of a small British town hall.

The only sign of diplomatic activity in Belmopan is a small notice in English and Spanish, which announces that the Mexican Embassy is being built on the site. There is no sign of construction work.

Belize is so small that it can offer neither a domestic market to sustain any major industry, nor the manpower to staff it. The principal manufacturing activity is Tate and Lyle's Orange Walk installations, which can produce 115,000 tonnes of sugar a year. Last year, these provided export revenues of nearly $50m (£27.8m), or 40 per cent of total exports.

The uncertain political future of Belize has been a further brake in its economic growth. Belize's immediate neighbour, Guatemala, with more than 20 times its population, a country which has been in increasing political turmoil, has for more than a century claimed sovereignty over Belize on the basis of shadowy historical precedents dating from the time of the Spanish empire.

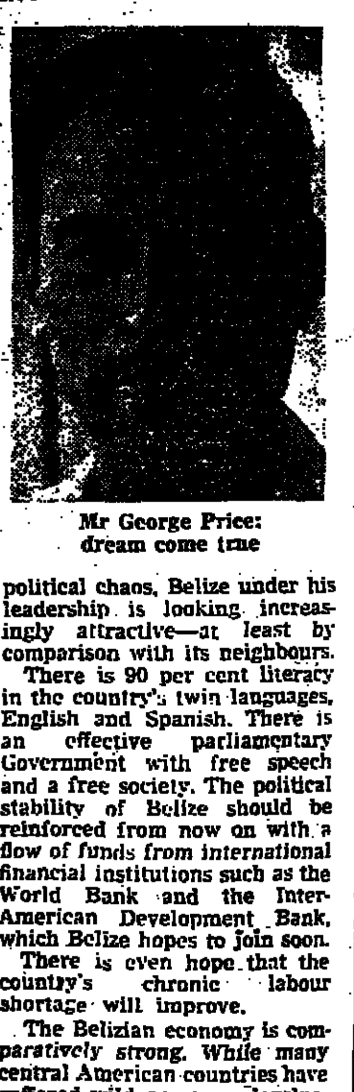
In spite of Guatemala's claims, Belize became independent this morning without recognition from the Guatemalan military regime, which has also closed the border.

In the light of the continuing threat to Belize from Guatemala, Britain is keeping a military garrison with about 1,600 men in Belize for the foreseeable future. The tiny Belize Defence Force, though being expanded and trained up quickly, would clearly be incapable of holding at bay an invading Guatemalan army on its own.

The political uncertainty in Belize has not been good for business. Foreign investment is minimal and many of Belize's most highly-skilled people have left to take up jobs in the U.S. or other parts of the Caribbean.

Belize has recorded a real economic growth of 1 or 2 per cent a year over the past two years. The only area of major economic expansion has been in trade. Belize serving as a useful entrepot for the re-export of goods into Mexico. The value of Belize's imports for domestic use and re-export is, at $140m, greater than the country's whole domestic production

This week, however, the gloomy economic situation is overlaid with some optimism for the future. Mr George Price, a veteran politician, who has been Prime Minister for decades and has fought for independence against the considerable odds of Guatemalan opposition, is today seeing his dream come true. As Guatemala slides increasingly into bloodshed and



Mr George Price: dream come true

political chaos, Belize under his leadership is looking increasingly attractive—at least by comparison with its neighbours.

There is 90 per cent literacy in the country's twin languages, English and Spanish. There is an effective parliamentary Government with free speech and a free society. The political stability of Belize should be reinforced from now on with a flow of funds from international financial institutions such as the World Bank and the Inter-American Development Bank, which Belize hopes to join soon.

There is even hope that the country's chronic labour shortage will improve.

The Belizian economy is comparatively strong. While many central American countries have suffered wild currency devaluations recently and Guatemala this month imposed rigorous exchange controls, U.S. dollars are freely available in Belize. They circulate freely at the constant exchange rate of two Belize dollars for one U.S. dollar.

Successive U.S. administrations have been afraid of Cuban political influence in a free Belize and have been haunted by the prospect of Belize becoming an entrepot for arms for central American revolutionaries. However, there is no sign whatever of this happening. Mr Price has no sympathy at all with Marxism-Leninism and Marxist-Leninist influence in the country is minimal.

World Bank lending rise slows

BY DAVID BUCHAN IN WASHINGTON

THE WORLD BANK and its affiliates made loan and investment commitments to developing countries, totalling $13.1bn (£7.1bn) in the year ending June 30, according to the bank's annual report published today.

This volume of lending and investment was 8 per cent more than in 1979-80. But since world prices rose on average by the same amount, there was little or no real growth in World Bank group operations overall.

Luckily, economic growth in the Third World was 4.6 per cent in aggregate during 1980, far outpacing that in industrialised countries. The bank's report calls this resilience "remarkable," even though the standard of living in some areas, such as sub-Saharan Africa, fell still further.

The key factor in the slowed rise in overall lending was the temporary cash crisis affecting the International Development Association (IDA). This is the fund out of which the bank makes long-term and virtually interest-free loans to the poorest countries.

In 1980-81 the IDA approved credits of $3.5bn, down $356m from the previous year.

The crisis was caused by the U.S. delay in handing over its 1980-81 share of IDA money. The concessional aid fund, which is some poor countries' only source of external capital, was only kept going during the year by voluntary advance IDA contributions of $2.4bn by 22 other industrialised countries.

The U.S. Congress has now approved a 1980-81 contribution of $500m.

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Iran, German groups in counter suits over pre-Shah contract

BY KEVIN DONE IN FRANKFURT

IRAN IS seeking compensation amounting to DM 1.5bn-DM 1.7bn (£355m-£400m) from Kraftwerk Union, the West German nuclear power station builder, for equipment it claims was not delivered under construction contracts which were terminated shortly after the fall of the Shah in 1979.

Reports from the Iranian news agency Pars and monitored in West Germany, quoted Mr Reza Amrollawi, head of the Iranian atomic agency, as saying that KWU, the Siemens subsidiary, had offered to pay only DM 150m.

At the same time KWU had taken counter action before the arbitration court of the international Chamber of Commerce in Paris claiming some DM 1.7bn from Iran as compensation for equipment and parts manufactured as part of the contract but not delivered because of cancellation of the work after the Iranian revolution.

Iran placed an order for two 1,300 MW nuclear power stations with KWU in 1976. It is estimated that DM 5bn worth of equipment had been paid for by the time the Shah was overthrown. The plants were to have been commissioned by the autumn of this year.

KWU could only confirm yesterday that it had begun court action in Paris—as laid down in the terms of the contract—more than a year ago against Iran. For legal reasons no details of the case could be given. The price of the original contract has been estimated at around DM 7.8bn.

KWU itself is still suffering from the shortage of major new power station contracts from both the domestic and foreign markets, and this week it has been forced to place more than 100 skilled workers in its generator division on short-time working until at least the end of the year.

Short-time working is expected to spread soon to its turbine division as well. Earlier this year KWU said it planned to cut its manufacturing workforce and capacity in Mülheim and in West Berlin by 20 per cent over the next few years because of the dearth of new orders.

Toyota car sales fall

TOKYO—Exports by Japan's two largest automakers nose-dived in August for their worst monthly showing so far this year

Exports by Toyota, Japan's largest car maker, dropped 17.3 per cent to 107,835 units over a year ago and for the fourth consecutive monthly decline. Toyota exports to Europe plunged 44.2 per cent, while those to Central and South America and Southeast Asia dipped 39.6 per cent and 28.8 per cent respectively.

Nissan Motors, maker of the Datsun, said its exports slumped 21 per cent over a year ago to total 89,926 units. Reuter

World Economic Indicators

UNEMPLOYMENT

		Aug. '81	July '81	June '81	Aug. '80
UK	000s	2,940.5	2,852.1	2,680.5	2,001.2
	%	12.2	11.8	11.1	8.3
USA	000s	7,657.0	7,502.0	7,784.0	7,942.0
	%	7.2	7.0	7.3	7.6
		July '81	June '81	May '81	July '80
W. Germany	000s	1,246.2	1,125.7	1,109.7	853.0
	%	4.8	4.3	4.2	3.3
France	000s	1,680.5	1,625.5	1,630.7	1,330.0
	%	7.4	7.2	7.2	5.9
Belgium	000s	495.5	432.9	428.6	397.0
	%	12.2	10.7	10.6	9.8
Netherlands	000s	396.4	360.1	335.9	248.0
	%	7.6	6.9	6.5	4.8
Italy	000s	1,915.3	1,924.4	1,878.5	1,723.0
	%	8.6	8.6	8.4	7.7
Japan	000s	1,210.0	1,260.0	1,320.0	1,120.0
	%	2.1	2.3	2.4	2.1

Source (except UK USA, Japan): Eurostat

SHIPPING REPORT

Charter recovery hopes hit rough shoals

By Our Shipping Correspondent

THE GLOOMY tone of brokers' latest weekly reports on the state of the charter market indicates that any hopes of a quick upturn in tankers or dry cargoes have now been put firmly to one side.

The continued malaise in the oil carrying market has led to a further 13 tankers, including four VLCCs (very large crude carriers), being sold to shipbreakers in August, according to H. P. Drewry in its monthly review. Another seven, two of them VLCCs, were sold for further trading.

Last week, however, the sale and purchase market was not especially buoyant, with Galbraith Wrighson reporting that bulk carriers showed the only sign of activity. Buyers in China paid $6.4m for a 27,000 deadweight tonne ship of this type, diesel-engined, which is under the Norwegian flag.

Galbraith's tanker market report described trading as being "unutterably dull." A large rise in fixtures occurred but rates showed little improvement.

In dry cargoes, rates also continued low, with a 50,000 ton ship carrying grain from the U.S. Gulf to Japan fetching $20.25 against $22.75, said Denholm Coates. But the Russians have been taking more tonnage.

The slackness of the world freight market has been reflected in the latest order figures from the Japan Ship Exporters Association. Orders for bulk carriers have remained low, it said.

Foreign orders received by Japanese yards rose by 4 per cent in August over July to 248,000 gross tons, but the number of vessels fell from 21 to 16 vessels. Nonetheless, this was way up on the August, 1980, level of eight ships and 109,000 tons.

Italy to build big dam in Mozambique

By James Buxton in Rome

TWO ITALIAN concerns have signed a contract with the Government of Mozambique to build a dam on the Limpopo river about 30 miles from Maputo, the capital.

The contract, worth L110bn (£50m) has been awarded to Italstrade, part of the state-owned IRI-Italstat group, and co-operating Muratori and Cementisti (CMC). The latter is part of the Communist party-oriented League of Co-operatives which has had considerable success in winning contracts in developing countries with Left-wing governments—notably Algeria—and in East bloc countries.

It illustrates the benefits the Italian economy draws from the existence of a large Communist Party. Mozambique has said it wishes to join Comecon. The deal will be partly financed through an aid agreement between Italy and Mozambique.

The contract, currently the biggest Italian construction operation in southern Africa, also emphasises Italy's pre-eminence in the field of building dams and hydroelectric works. Currently Italian contractors are working on such contracts in about 20 counties outside Europe.

The Pequeños Libombo dam is designed to feed a 15,000 hectare irrigation system and reduce the risk of flooding on the Limpopo River.

GEC in £18m turbine sale to Bangladesh

By Our World Trade Staff

GEC GAS Turbines has won an £18m contract to design, build and equip a combined cycle power station for the Bangladesh Power Development Board.

A company announcement of the contract followed the earlier disclosure that the Export Credits Guarantee Department is supporting a loan from Williams and Glyn's Bank for £12.8m partly to finance the project.

The loan is a buyer credit. But the balance of the funds needed for the project is being provided through UK Government aid, it is understood.

GEC won the contract in the face of competition from groups like Hitachi, Fiat and Rolls-Royce.

The project involves the provision of two turbines. The gas turbine will be installed by next summer, but this gives off enough waste heat to justify the use of a steam turbine which will be supplied by GEC Turbine Generators in its role of sub-contractor.

The whole project will be completed during 1983 and will provide 90 MW of power. The station will normally run on natural gas but it can run on oil.

Colin MacDougall on a British-China project that would not perish

RTZ unit gets a surprise kiss of life

In an unusual case, two British engineers were invited last spring to visit a Chinese lead-zinc smelter for which their company had provided the plans back in 1966.

This was the latest episode in a saga begun when Imperial Smelting Processes, part of the RTZ group, sold the designs for a plant at Shao Guan in northern Guang Dong province before the cultural revolution. Nothing further was heard by the company for more than a decade.

Now, in what is believed to be another first, ISP and the China Metallurgical Import and Export Corporation, have issued a joint statement outlining a new level of co-operation between their organisations. It forecasts participation by the Chinese in the present collaboration between ISP's 12 other lead-zinc smelters. This is in stark contrast to the silence which endured until the 1970s.

The break came when ISP received a letter from the plant management noting that it still owed the final payment under the original contract. ISP was delighted to hear that the plant had been built and immediately offered the start up technical services included in the contract.

It then transpired that the designs for the smelter had been put away during the cultural revolution and it was eventually constructed in the middle 1970s. The Chinese seem to have had technical problems with it ever since.

The Chinese did not immediately turn to ISP. A team from Shao Guan first disclosed their difficulties on a visit to the Cockle Creek smelter in Australia, part of the RTZ Group. Their hosts tactfully suggested they seek advice from the original designers.

In the event, however, last spring the ISP engineers spent only three days at Shao Guan. The rest of their ten-day trip, in a manner characteristic of China's industrial problems, was devoted to discussions with the bureaucracy in Canton and Peking, instead off examining difficulties on site.

The Shao Guan plant includes, besides the blast furnace, an up-draught sinker machine, a sulphuric acid plant, an electrolytic lead refinery and a reflux zinc refinery. It processes mixed zinc-lead concentrates from the Fankou mine some 60 km from Shao Guan city.

Commissioned in 1976, the Chinese have revealed that it had taken them four years to achieve the designed production capacity of 30,000 tons of zinc and 13,000 tons of lead per year, though by 1980 it was operating at 6 per cent above design target. Ruefully, however, ISP points out that in the 15 years since the plan was applied, technology in the West has advanced so that similar smelters can be designed to produce 80,000 annually. Thus, in comparison Chinese output is low.

Chinese participation in the joint statement is a sign that Peking is at last coming round to the view that foreign technical help on site such as that offered by ISP, could actually be beneficial. But as the British company has indicated, patience will clearly still be needed to bring this 15-year-old serial to a successful conclusion.

FRANKFURT MOTOR SHOW

Irish, Arab links boost German creation

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE CHICO—designed in West Germany, financed by Arabs and made in Ireland—is one of the more exotic mechanical creatures at the Frankfurt Motor Show.

Built to prowl around the bush, constructed so the mechanically inept can repair it, Chico is a cross-country vehicle but not a complicated piece of four-wheel drive machinery. All the body parts twist round a central point.

It is an orphan of the designers at Messerschmitt-Boklow-Blom (MBB). In the quiet periods between worrying about high technology weapons systems, they came up with the concept. A few vehicles were built, but MBB was not keen to enter the low technology vehicle business.

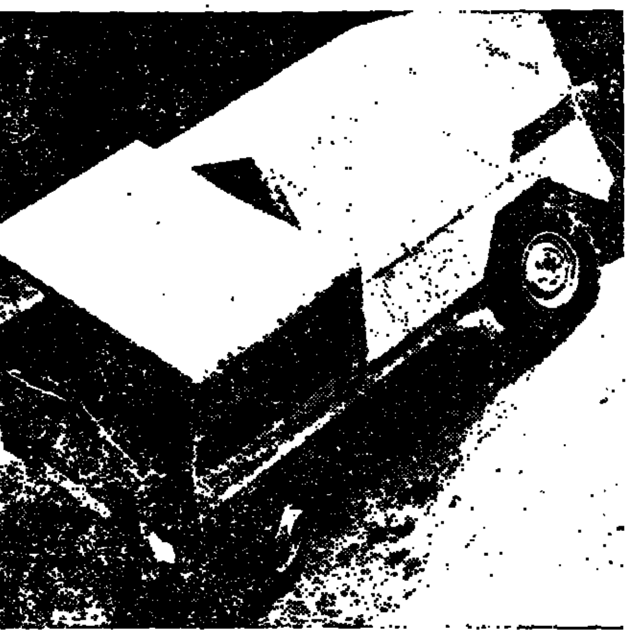
So it sold the rights to Mercantil Union Beteiligungsgesellschaft, a Frankfurt investment group, which set up a manufacturing company, ATW Auto-Montan-Werke and provided 25 per cent of its DM200m capital.

At this stage, enter the Arabs. The rest of the finance came through a Leichtenstein investment group through which Middle East interests channel their cash.

The question then arose as to where to put the manufacturing plant. Herr Roland Berger, chief of ATW and a Mercantil managing partner, settled on Ireland, because, he said, there were good financial incentives, a reservoir of labour and government aided training schemes.

His aim at the two advance factories in County Donegal provided by the Irish Development Authority is eventually to employ 1,000 people and produce 15,000-18,000 vehicles a year, far in excess of a viable level of 200 workers turning out 1,200 Chicos a year.

Chico is directed at the Third World.



The versatile Chico: A Messerschmitt afterthought

Canada coal sale to Korea

VANCOUVER—B.C. Coal has signed a 20-year sales contract with the state-owned Pohang Iron and Steel company of South Korea to deliver 500,000 tonnes of metallurgical coal a year from south-western British Columbia.

The two companies have also initialled a joint venture agreement to develop and operate the new Greenhills coal mines in the central part of the Western Canadian province.

Ownership and costs of the mine will be shared — 80 per cent by B.C. Coal and 20 per cent by Pohang Iron. The joint venture is subject to final approval by the South Korean Government and the state bank and by Canada's Foreign Investment Review Agency.

The C$282m Greenhills project to develop the new surface mine and related facilities has begun and production is scheduled to start in 1983. Reuter.

Inquiry into 'big savings' on nuclear reactor

BY DAVID FISHLOCK, SCIENCE EDITOR

THE CENTRAL Electricity Generating Board is to examine claims of a dramatic reduction in the capital cost of a fast breeder reactor.

The claims, made by the British nuclear industry earlier this month, could have an important bearing on intergovernmental discussions with France and the U.S. about collaboration in developing the plutonium-fuelled fast reactor.

Following President Mitterrand's recent visit, Britain is to open discussions with France about a possible fast-reactor collaboration.

Britain already has a close collaboration with the U.S. on fast reactor fuel development—including exchanges of experimental plutonium fuel. This is expected to be reviewed in the forthcoming visit of Mr James Edwards, U.S. Energy Secretary.

The latest British claims have been submitted to the CEGB in the form of a detailed "tender." This is a stack of documents, one foot tall, which CEGB engineers at Barnwood, Gloucs., will spend the next six months examining.

These documents are the outline design for a 1,300 megawatt power station designed for a site at Dounreay, in the far north of Scotland, adjoining the UK Atomic Energy Authority's 270 mW prototype fast reactor.

They estimate that a commercial development fast reactor (CDFR) station could be built for just 21.5 per cent more than the cost of Heysham 2, the CEGB's latest advanced gas-cooled reactor (AGR) station, ordered last year.

The design draws heavily on AGR experience with materials and steam-raising technology.

The estimate includes about £100m for research and development on novel engineering for the fast reactor itself and about £25m for the extra cost of transportation to a remote site.

The estimate is the outcome of three years of collaboration between the AEA fast reactor development team under Dr Tom Marsham, and the National Nuclear Corporation's advanced reactors team under Mr Roger Vaughan.

It has been based on a reactor design described by Dr Walter Marshall, the AEA chairman, as "compact and elegant," which promises "a substantial reduction in capital cost compared with earlier designs." Mr Vaughan says the partnership has "taken it much further than we believed we could."

Over half the cost, relating to electricity generation, would be for plant very similar to that for Heysham 2.

On the nuclear side, the compact CD FR design has packed the primary circuit of the reactor into a much smaller vessel than was believed possible.

This vessel, which holds the molten sodium coolant, is over 6 ft smaller in diameter than the vessel designed for Superphenix, the 1,200 Mw CD FR under construction in the south-east of France.

The British design for this vessel requires 500 tonnes less sodium than Superphenix.

The steam-raising part of the station outside this vessel is also much smaller, greatly reducing capital costs.

France last year invited Britain to participate in the exploitation of its latest ideas for building commercial fast reactors based on Superphenix, for an "entrance fee" of about £50m.

The British believe that major French components such as steam generators, if demonstrated successfully in Superphenix — scheduled to produce power in 1984 — could be used advantageously in their compact CD FR design.

22 advance factories planned for Llanelli

THE WELSH Development Agency is to build 22 advance factories in the Llanelli area of South Wales in an £8.5m special aid scheme to attract jobs to the redundancy-hit steel town. Ten of the units will be on a new 150-acre industrial estate which could eventually support about 6,000 jobs.

More than 1,000 Llanelli steelworkers lost their jobs when the privately-owned Duport works closed in March.

Brittan wins Orwell prize

MR SAMUEL BRITTAN, assistant editor and chief economic commentator at the Financial Times, has won the 1981 George Orwell Memorial Prize. His winning entry was the article "Hayek, the New Right, and the Crisis of Social Democracy," first published in Encounter in January 1980.

The judges thought Mr Brittan's account of Hayek's contribution to economic and political philosophy a lucid study about an important and difficult figure who had had great influence on contemporary British politics.

Nuclear programme could boost jobs

UP TO 10,000 jobs could be created in the North East over the next five years through Britain's nuclear power programme, according to Dr Donald Avery, deputy managing director of British Nuclear Fuels. In today's issue of Director magazine, Dr Avery argues that the nuclear programme is a vital and cheaper alternative to dwindling fossil fuels and will help maintain jobs in areas of high unemployment.

Banks discuss joint office

BARCLAYS BANK and Midland Bank are discussing forming a jointly-owned share registration bureau in Knutsford, Cheshire.

Both sides emphasise that the discussions are at a very preliminary stage. Even if the plans go ahead both banks will retain their existing independent customer relationships.

First Chunnel talks to be held in Paris

BY ALAN FORREST

BRITISH and French transport department officials will meet in Paris next Monday for the first of a series of exploratory talks on the Channel tunnel project — only two weeks after Mrs Margaret Thatcher and President Mitterrand of France decided at their London summit to revive Anglo-French co-operation on the plan.

The Department of Transport said last night: "The talks between the officials could go on for some time. Eventually, the ministers will get together, but no date for ministerial discussions has been fixed."

But the speed with which the preliminary discussions have been arranged is an indication of the determination of both Governments to get the project going again.

It is known that Mr David Howell, the new Transport Secretary, wants time to "read in" on the various projects which were being considered by Mr Norman Fowler, his predecessor.

His next scheduled meeting with M Charles Fiterman, his French counterpart, is at the EEC Council of Transport Ministers on December 12. But an earlier meeting is possible of the talks between the officials make speedy progress.

Mr Howell said last week that he hoped to kee pto the timetable set by Mr Fowler which should allow him to indicate the British Government's preference by the end of the year. "There have to be ifs and buts, and the finances have to make sense," he said.

There are eight ideas about the form which the link will take. These range from a simple rail tunnel costing £800m to a complex giant bridge and tunnel project costing an estimated £3.8bn, which, it is claimed, could provide 100,000 jobs in shipyards, steelworks and quarries in Britain's high-unemployment areas.

During the Thatcher-Mitterrand talks both leaders expressed enthusiasm for a tunnel. But Mrs Thatcher emphasised that there was no question of involving government funds. It would all have to be financed by the private sector.

On the French side, however, if the project is given the go-ahead, it is expected that state funds will be used.

Brockhouse to make new bus gearbox

By Lorne Barling

BROCKHOUSE Transmissions, part of the Midlands-based Brockhouse engineering group, is to manufacture a new bus gearbox which has aroused widespread interest in the passenger transport industry.

The gearbox, designed by Maxwell Transmissions of Loughborough, is about 300 lbs lighter than its main rivals and considerably less complex, making for easier maintenance and lower running costs.

The design, which has placed the clutch assembly at the end of the unit instead of near the centre, allows access for servicing in less than four minutes, compared with more than 45 minutes on other gearboxes.

Brockhouse Transmissions will take a 25 per cent equity in Maxwell and series production of the gearbox will start next year at Brockhouse's West Bromwich factory.

Maxwell's facilities at Loughborough, where about 20 people are employed, will concentrate on research and development work.

Mr Peter Windsor-Smith, a director of Maxwell and principal designer of the gearbox, said: "Brockhouse will provide us with the test and production facilities which would have taken a very long time to build up."

He said the company also would provide marketing strength abroad.

Chamber of Commerce calls for curb on council rates rises

BY ROBIN PAULEY

A CALL FOR the virtual ending of local government financial autonomy by the introduction of a statutory limit on the amount by which a local authority may raise its rates in any one financial year is made today by the London Chamber of Commerce and Industry.

The limit should be related to inflation and should take into account the effect of the annual rate support grant settlement by the Government, says a memorandum from the chamber to Mr Michael Heseltine, the Environment Secretary.

The chamber argues against abolishing rates because alternatives such as a local income tax or local sales and vehicle duties would be "inefficient, inequitable and expensive with the burden falling especially on the local employer."

The chamber says the new system of distributing government grant to local authorities, which resulted in the loss of about £300m to London this year, should be urgently revised to take account of the capital's special requirements.

The memorandum urges fundamental restructuring of the rating system including:

- A revaluation of the rating list at least every five years (although there is no mention of a change from rental to capital valuation).
- Abolition of rates on empty property.
- The right for all commercial and industrial ratepayers to pay rates by monthly instalments.
- A "moth-balling" allowance for industrial and commercial ratepayers to allow for the derating of premises not in current use.
- Crown properties to be rated in the same way as other properties.

Low demand for furniture continues

By James McDonald

THE BRITISH furniture industry continues to suffer from poor demand for its products. Manufacturers' deliveries of domestic furniture in July were running nearly 10 per cent below the already depressed levels of a year before, according to Industry Department statistics in British Business, the official trade and industry magazine.

The seasonally adjusted index of deliveries (1975 constant price basis=100) in July, at 82, was 2.4 per cent lower than in June and 9.9 per cent below the July, 1979 level. The May-July three-month average index figure of 81 was 3.2 per cent under the previous three-month average and 12.5 per cent lower than the figure for the same period of 1980.

Manufacturers' order books, measured by the seasonally adjusted index of orders on hand, stood at 51 at the end of July, the same level as a month earlier but 5.6 per cent lower than a year before. The average for the three months May to July, at 50, was 9.8 per cent down on the average for the same period last year.

- Manufacturers' deliveries of footwear in the three months, April to June, seasonally adjusted, were nearly 2 per cent lower than in both the previous quarter and the second quarter of 1980, according to Industry Department statistics in British Business.

Local authority auditing plan attacked

FINANCIAL TIMES REPORTER

THE SOCIETY of Metropolitan Treasurers has strongly attacked the Government's plan to take away local authorities' freedom to choose their own auditors.

The Government's new autumn legislation will establish an Audit Commission which will tell each local authority in England and Wales whether it is to be audited by the district audit service or by private sector auditors. And the commission will be empowered to allocate a particular firm to a council.

The Metropolitan Treasurers say: "This will only give rise to an increased political element in audit practices and has the danger that issues which should be finally determined in the council chambers of local authorities will be extended into audit debate."

The society says the Government appeared to think its audit measures would increase efficiency in local government.

"This is a naive approach. Internal management of local authorities offers the best hope for improvements in efficiency and value for money," the treasurers say.

They add that the proposals are likely to strengthen further dominance of local authorities by central government and external agencies to the point where the local electorate will be totally confused as to who should be held responsible for any deficiency in delivery of local services.

The treasurers support the Government's aim of improving and increasing local accountability but do not agree that the legislation for expanded audit and publication of information will necessarily achieve it.

"A major obstacle to increased local accountability is the inadequate financial base of local government," they added.

Cardinal Hume appeals to H-block supporters

CARDINAL Basil Hume yesterday made a fervent plea to London's H-block Committee and relatives and friends of the ten men who have so far starved themselves to death in Ulster's Maze Prison.

They held a black flag vigil outside Westminster Roman Catholic Cathedral but failed to get any commitment from Cardinal Basil Hume when they met him later. Instead, he asked them to open their hearts and minds to the grief caused by bloodshed in Ulster.

A deputation from the 100 people, mostly women, who visited the mainland this weekend to win support for their cause—they have held meetings at Westminster and lobbied Downing Street — saw the Cardinal on Friday.

Yesterday more than 60 met him, but only for ten minutes. The outcome, they said later, was not satisfactory and the Cardinal would not commit himself to supporting their five principles for H-block prisoners.

The Cardinal's aide said later that at the end of his prepared statement to the supporters they had walked out. "The Cardinal said his response was in the statement and he was not prepared to vary it."

In his statement Cardinal Hume said it was only their invitation to address them that had prompted him to speak at all. "You have your own bishops at home to whom you will rightly refer and to whom you should, as Catholics, listen. I just want to say how for me, as for many others, the conflict in Northern Ireland has been, and is, a constant anxiety. Indeed, it would not be an exaggeration to say an anguish and an agony."

"You are here to support your loved ones, and that is natural and understandable, but I beg you to open your hearts and your minds and to realise that the bloodshed of the past decade have caused grief to many people like you."

UK NEWS

Economist predicts the Welfare State will wither away

BY ROBIN PAULEY

THE END of the National Health Service and a dramatic reduction in the Welfare State as private education and private health insurance expand are foreseen in a report by an economist published today.

Mr Arthur Seldon says in an Institute of Economic Affairs paper that he doubts whether the NHS will survive to the end of the century. He expects 40 per cent of the population to be covered by private health insurance schemes and 25 per cent of children to be in private schools by 1995.

The number of people in occupational pension schemes is predicted to rise from 11.5m to more than 15m and the percentage of owner-occupiers to rise from 55 per cent to 80 per cent. In all of these sectors, the Welfare State is being undermined by changing market forces, he says.

The paper says consumers will increasingly demand, and suppliers will increasingly be able to offer, services superior to those the State aims to supply equally out of taxation but fails to provide.

"If the Welfare State is to continue, the State will have to enforce it by intensifying coercion of consumers and suppliers. The British people will not tolerate the required degree of coercion and will find ways to escape," Mr Seldon argues.

On the demand side the market forces are rising incomes, the assertion of the family against State regulation, the emancipation of women, growing realisation that the exercise of "voice" in State monopoly services is culturally inequitable and that "exit" to private services is essential to discipline State suppliers, the paper says.

On the supply side, the market forces are identified as technical innovation, the superiority of local suppliers to suit consumers, and of small-scale suppliers to obtain staff co-operation, rejection of standardised State services by regional, sectarian and other minorities, the rejection of taxes by avoidance and evasion and widening international markets.

Mr Seldon traces what he believes to be mistaken policies as far back as Gladstone in education, Lloyd George in housing, and Attlee in the health service.

"In 1948 in an act of political vandalism, the State almost destroyed the developing, varied structure of spontaneous medical activity that had grown up in response to personal, industrial and local circumstances and replaced it by a bureaucratic monopolistic monolith," he writes.

* *Wither the Welfare State, £1.50 Institute of Economic Affairs, 2 Lord North Street, London SW1.*

Directors attack sick pay proposals

By Eric Short

Another employers' organisation, the Institute of Directors, has attacked the Government's sick pay proposals because of what it says is the inadequate compensation given to employers.

The attack came as leaders of the CBI met the new Social Services Secretary, Mr Norman Fowler, yesterday to express its concern over the proposals.

The Government proposes that employers should take over the responsibility for paying employees a minimum sickness benefit during the first eight weeks of sickness.

The Government has offered three different methods of compensation. One is an across-the-board reduction in employers' National Insurance contributions. Another would be some form of partial reimbursement to employers of sickness payments actually made.

The Institute of Directors, however, feels that if the Government offered a worthwhile reduction in the NI contribution of at least 1 per cent, instead of the 0.6 per cent proposed in one method, employers would accept the inequity between industries with high and low rates of sickness.

Dogged digging for the grassroots

Ian Hamilton Fazey's view of last week's community service gathering

THERE WAS a moment last week at the Community Challenge conference in Liverpool when even the most patient observer must have wondered if anything would come of it.

A vote was about to be taken on whether there should be a vote. The issue was whether a speaker claiming to be the only platform advocate for the women's movement should have 10 minutes or 25 minutes to put her case.

The night before, the conference had voted to restrict platform speakers' time, leaving more for discussion. The vote to have a vote rescinded that earlier vote and so, when the final vote was put, the speaker got her 25 minutes.

During the process, she snatched a packet of cigarettes from her handbag and lit one. A delegate rose on a point of order. Would the chairman tell the speaker that the conference had voted earlier to ban smoking during sessions? The speaker retorted that she had been stressed by the procedural wrangling.

The incident was one of many that dogged the conference, conceived as a national workshop to develop strategies for community participation in solving inner city problems. It was sponsored by the Calouste Gulbenkian Foundation, which paid the expenses of about a quarter of the participants, ensuring that community workers attended.

The 250 there covered a broad range, from policy-makers to project leaders. They included people from government departments, local authorities, churches, charities and ethnic minorities. It was hoped that all interested groups would be fairly represented but the organisers and many speakers, were castigated for alleged bias by some participants.

Nevertheless, the conference managed at the weekend to reach some conclusions. These will be published later, with an overview, under the supervision of an editorial committee of conference delegates with representative proportions of women and blacks.

At one stage a delegate demanded that journalists present should tell the conference how they were going to report it. One leapt to his feet and declared that journalists refused to be stereotyped: they were professionals doing their jobs. He omitted to mention that his newspaper was Gulbenkian's co-sponsor.

The conference endorsed several statements. On housing, for instance, it called for limits on tax concessions to owner-occupiers to create more funds for rented housing. The Government was urged to spend substantial sums—fixed for three years ahead—on inner city housing, with tenants involved in planning, design, implementation and management.

Professional workers were criticised for dominating community activity at street level and, in the health services, for acting as instruments of social control. The conference urged more non-professional training of community leaders and volunteers, more information and more involvement of ordinary people.

This pressing for more community initiatives, through which inner-city people could help themselves overcome problems, was a common theme. A risk fund to get things going was thought essential, but new administrative structures were seen only as adding to a bureaucracy that was already a barrier to participation.

Further conferences, which the Gulbenkian Foundation has said it will fund, were envisaged at local level and will probably take place early next summer. Grassroots participation from inner-city communities will be their principal characteristic. Alternative strategies for solving problems will be their aim.

Both black and women's caucuses attacked the organisers for not involving them from the outset in the planning of the conference and its content. This, they said, exemplified the problem they face in the community. No creche had been provided, for instance.

On race relations, the response from Gulbenkian director Peter Brinson was unequivocal. His foundation will give priority to fighting racism and will invite other charitable organisations to join it to form policies.

He pledged that Gulbenkian will also fund research, training, new local media and activities to create jobs.

Underlying the entire four days of the conference was the theme of money. What the silent, collar-and-tie watchers from government departments and local authorities must have taken on board was the strength of feeling among community activists against cuts in rate support grants.

The summer riots of 1981 have given a stronger voice to those who articulate the frustrations and problems of inner-city life. Theirs was the angry howl that could be heard clearly in Liverpool last week and on inner-city problems they feel they have got the Government on the hook.

National Savings up by £1.75bn this year

By Tim Dickson

NATIONAL SAVINGS in August attracted net receipts of £210.2m, including crude interest. This takes the total of net new money raised by the Government from the personal sector to £1.759bn in this financial year. Overall target for 1981-82 is £3½bn.

Provisional figures for August, published yesterday, showed that gross receipts from the second index-linked issue which could be bought by those aged 50 or over, totalled £93.4m.

Since the end of the financial month, on September 7, index-linked certificates, which do not produce an income but are revalued monthly in line with inflation, have become available to everyone.

Gross receipts from non-index-linked issues, the 21st issue, in August were £54.8m. Combined net income from index-linked and non-index-linked certificates was £103.9m.

National Savings Bank investment accounts had a net inflow of £39.8m.

Total funds administered by the Department for National Savings stood at £17.76bn, compared with £13.9bn at the end of August 1980.

CBI says small concerns missing public contracts

BY MAURICE SAMUELSON

SMALLER businesses are being deprived of their share in public contracts because of the "inertia and conservatism" of public purchasing agencies and the large scale of many Government contracts, the Confederation of British Industry says today.

This is among the findings of a working party of the CBI's Smaller Firms Council, sent to Mr Patrick Jenkin, the new Industry Secretary, and to other Ministers.

At the same time, the report says the entrepreneurs who run smaller concerns should be more flexible and aggressive in seeking opportunities in "this multi-billion pound market."

In its proposed guidelines for central Government, the CBI says purchasing agencies should:

- Recognise the long-term benefit of maintaining a number of competing suppliers;
- Avoid features of contracts which could eliminate small business from competition;
- Understand the benefits to the economy of placing "a reasonable proportion" of contracts with smaller businesses;
- Give equal consideration to a group of smaller companies offering a package of goods and services for large projects;
- Consider breaking down some large turnkey projects;
- Explain to unsuccessful tenderers the reasons for failure.

It also recommends that Whitehall should improve the information available to smaller businesses, and says its proposals also apply to local authority contracts.

BASE LENDING RATES

A.B.N Bank	14 %	■ Guinness Mahon	14 %
Allied Irish Bank	14 %	■ Hambros Bank	14 %
American Express Bk.	14 %	Heritable & Gen. Trust	14 %
Amro Bank	14 %	■ Hill Samuel	§14 %
Henry Ansbacher	14 %	C. Hoare & Co.	†14 %
■ Arbuthnot Latham	14 %	Hongkong & Shanghai	14 %
Associates Cap. Corp.	14 %	Knowsley & Co. Ltd.	14½%
Banco de Bilbao	14 %	Langris Trust Ltd.	14 %
BCCI	14 %	Lloyds Bank	14 %
Bank of Cyprus	14 %	Mallinhall Limited	14 %
Bank of N.S.W.	14 %	Edward Manson & Co.	15 %
Banque Belge Ltd.	14 %	Midland Bank	14 %
Banque du Rhone et de la Tamise S.A.	14½%	■ Samuel Montagu	14 %
Barclays Bank	14 %	■ Morgan Grenfell	14 %
Beneficial Trust Ltd.	15 %	National Westminster	14 %
Bremar Holdings Ltd.	15 %	Norwich General Trust	14 %
Bristol & West Invests.	15 %	P. S. Refson & Co.	14 %
Brit. Bank of Mid. East	14 %	Slavenburg's Bank	14 %
■ Brown Shipley	14 %	E. S. Schwab	15 %
Canada Perm't Trust	14½%	Standard Chartered	‖14 %
Cayzer Ltd.	14 %	Trade Dev. Bank	14 %
Cedar Holdings	14 %	Trustee Savings Bank	14 %
■ Charterhouse Japhet	14 %	TCB Ltd.	14 %
Choulartons	12 %	United Bank of Kuwait	14 %
Citibank Savings	¶13 %	Whiteaway Laidlaw	14½%
Clydesdale Bank	14 %	Williams & Glyn's	14 %
C. E. Coates	14 %	Wintrust Secs. Ltd.	14 %
Consolidated Credits	14 %	Yorkshire Bank	14 %
Co-operative Bank	*14 %		
Corinthian Secs.	14 %		
The Cyprus Popular Bk.	14 %		
Duncan Lawrie	14 %		
Eagil Trust	14 %		
E. T. Trust Limited	12 %		
First Nat. Fin. Corp.	15 %		
First Nat. Secs. Ltd.	15 %		
Robert Fraser	14 %		
Antony Gibbs	14 %		
Grindlays Bank	‡14 %		

■ Members of the Accepting Houses Committee.

* 7-day deposits 11.5%, 1-month 11.75%. Short term £4,000/12 months 14.35%.

† 7-day deposits on sums of £10,000 and under 11½%, up to £50,000 12% and over £50,000 12½%.

‡ Call deposits £1,000 and over 11.5%.

§ Demand deposits 11½%.

‖ 21-day deposits over £1,000 12½%.

¶ Mortgage base rate.

COMPANY NOTICES

NOTICE OF RATE OF INTEREST

CREDIT LYONNAIS

U.S.$30,000,000 Floating Rate Notes due 1987

In accordance with the provisions of the Interest Determination Agency Agreement between Crédit Lyonnais and National Bank of Abu Dhabi, Paris Branch, dated as of 29th August, 1980, notice is hereby given that the Rate of Interest has been fixed at 17¾ per cent, per annum, and that the Coupon Amount payable on 18th March, 1982, against Coupon No. 3 will be U.S.$446.22 and that such amount has been computed on the actual number of days elapsed (181) divided by 360.

By: National Bank of Abu Dhabi
Paris Branch
Reference Agent

16 September 1981

PROVIDENT LIFE ASSOCIATION OF LONDON LIMITED

ORDINARY SHARES

NOTICE IS HEREBY GIVEN that the Directors have declared an Interim Dividend for 1981 of 7p per share, payable on the 30th October, 1981 upon the Ordinary Shares of the Company.

Registered Shareholders

The Dividend will be payable to the Registered Shareholders whose names appear in the Register of Members at the close of business on the 9th October, 1981.

Share Warrants to Bearer

The coupons to be presented in respect of the above Dividend are numbered 194. They must be lodged for examination at Barclays Bank Limited, City Office, 9 Gracechurch Street, London, EC3V 0BB, at least five clear days prior to payment.

By Order of the Board.
J. D. FOX, Secretary.

16th September, 1981.

SIAM COMMERCIAL (CAYMAN) LIMITED
U.S.$20,000,000 GUARANTEED FLOATING RATE NOTES DUE 1984

Guaranteed by
THE SIAM COMMERCIAL BANK LIMITED

Pursuant to the terms and conditions of the notes, notice is hereby given that the interest rate for the fifth interest period of 21 September 1981 to 22 March 1982 has been fixed at 18³⁄₁₆%.

The interest amount payable on 22 March 1982 against coupon number 5 will be U.S.$91.95 per U.S.$1,000 note and U.S.$459.74 per U.S.$5,000 note.

CITICORP INTERNATIONAL BANK LIMITED
Agent Bank

21 September 1981

SPANISH 4% EXTERNAL LOAN (1974 ISSUE)

The coupons due 1st October 1981 may be presented for payment at BANCO ESPANOL EN LONDRES S.A., London Wall, London EC2P 2JB, between the hours of 10 a.m. and 2 p.m.

London.
21st September, 1981.

Heavy lorry controversy lands on Howell's desk

Lynton McLain looks at the latest stage in the juggernaut debate

THE CONTENTIOUS issue of heavy lorries and their impact on people and the environment emerged last week as the first and possibly most controversial topic to be resolved by Mr David Howell, the new Transport Secretary.

On his very first day in his new appointment he was given an immediate and forceful introduction to industry's case for an increase of almost 25 per cent in lorry weight's, from the present 32.5 tonnes maximum gross laden weight to 40 tonnes.

A powerful delegation on heavy lorries was led by the Freight Transport Association, representing the transport interests of British industry, and including the Confederation of British Industry, the Road Haulage Association, the Society of Motor Manufacturers and Traders, the National Farmers Union, the Chemical Industries Association, the Food Manufacturers Association, the Glass Manufacturers Association, the Sand and Gravel Association, the UK Agricultural Suppliers Trade Association and the General Council of British Shipping.

The FTA said heavier lorries would save industry £140m a year immediately, rising to £200m a year by 1990.

The issue of whether Britain needs and could cope with heavier lorries has been debated for over a decade. It came into focus again with the publication of the Government-inspired Armitage report on "lorries, people and the environment," nine months ago.

The report urged the Government to raise lorry weight limits to 44 tonnes gross laden weight, an increase of over 35 per cent on the present limit of 32.5 tonnes. The recommendation was "necessary on economic grounds," Sir Arthur Armitage, a past vice-chancellor of Manchester University and the chairman of the inquiry said.

Other recommendations, and there were 58 in all, would give "greatly increased protection from lorries to the environment and the public."

Ten years before Sir Arthur's report, the pendulum was swung the other way with a denunciation of lorries by the Conservative Government of the day.

Mr John Peyton, the Tory Minister for Transport Industries said in 1970 that he would not allow any increase in the maximum weight of lorries. He said "the time had come to curb a growing and undoubted nuisance."

Steady pressure for opinion to swing the other way, in favour of heavier lorries, came from the pro-lorry lobby of manufacturers, operators and users of road transport, but it came to a head in a way no one expected.

An internal memorandum signed by Mr Joe Peeler, who was Permanent Under-Secretary in charge of road freight policy at the Transport Department under Mr William Rodgers, the then Labour Transport Secretary, reached Fleet Street three years ago.

The document made it appear that the Transport Department had already decided that higher lorry weights should be recommended. In it Mr Peeler argued that a public inquiry would help to prove the case for higher lorry weights.

An inquiry "to consider the causes and consequences of the growth in the movement of freight by road and, in particular, of the impact of the lorry on people and their environment," was set up by the Government. These were the terms of reference chosen by Mr William Rogers following the report to him from Mr Peeler.

However, Mr Fowler, then Transport Secretary in the present Government, chose the chairman, Sir Arthur Armitage, and his report did indeed recommend higher lorry weights. His recommended 35 per cent rise has since been ruled out by the Government in the only action taken on the report by Mr Fowler in the nine months since it was published.

Mr Fowler also failed to take action on an earlier report, by Professor Christopher Foster, published in January, 1979. This called for tighter control of Britain's 124,000 road haulage companies.

Professor Foster had hoped that his report would lead to ways of "civilising" the heavy lorry. Instead, the Government shelved it and has taken no action to implement its 91 recommendations.

The whole issue proved to be far too sensitive for Mr Fowler to act on. Too many Tory backbenchers knew at first hand of village and town life being wrecked by the vibrant trundle of juggernauts.

Mr Howell, however, was forced by his early and pre-arranged meeting with industry's transport representatives to grapple swiftly with the problem. In his first speech as Transport Secretary last week, he told transport operators that he hoped it would be possible to come to decisions on Armitage "very soon."

Mid- to late November is suggested in Whitehall as the most likely time for these decisions to be announced in Parliament.

Mr Fowler gave MPs less than 24 hours' notice of his promised debate and when it did take place it lasted for only three hours and 55 minutes. This made it "impossible" to vote properly on a "major contentious issue," Mr Albert Booth, MP, the Opposition Transport Spokesman, said.

Mr Chris Patten, Tory MP for Bath, voiced the opinions of many other Tory and Opposition MPs when he said he represented a "lorry-battered constituency." The prospect of heavier lorries would be greeted with "about as much enthusiasm as would the announcement in a rural constituency of a fresh outbreak of Dutch elm disease," he said.

He said that Bath's attempts to deal with its traffic problems was like "one of those 19th century Russian novels, very long and very gloomy."

He was joined later in the debate by Mr Nicholas Scott, Tory MP for Chelsea. "One of the problems about the debate and about the Armitage report has been the assumption in some quarters that the existing situation is tolerable and that we can therefore consider increases in lorry weight. The situation is not tolerable for millions of our fellow countrymen. It is intolerable." He described Cheyne Walk in his constituency as a "channel for juggernauts" which had caused "terror to people on the pavements."

Mr Scott may prove to be less of a thorn in the side of the Government on lorries now that he has been sent to Northern Ireland as Parliamentary Under-Secretary.

However, the controversy is not likely to go away. Already the massed ranks of the environmental lobby, including the Civic Trust, the Council for the Protection of Rural England, Transport 2000, the pro-rail pressure group, the Campaign Against the Lorry Menace (CALM) and Friends of the Earth are considering a major new initiative to draw the attention of MPs to the urgent need to implement the Armitage recommendations on tighter control of lorry noise, vibrations, pollution and the places lorries may freely go.

These groups argue that such controls will be all the more vital if lorry weights go up. Details of this compaign are expected to be announced well in time for the Parliamentary statements, later this autumn, when the argument for heavier lorries are also expected to intensify in the drive to cut industry's transport costs.

Main points made in the Armitage Report

- **Environment.** Lorries do too much damage to the environment. They are intrusive, too noisy, too smelly and people are apprehensive about them. Matters will get worse unless action is taken. Some places are affected particularly badly.
- **Noise.** Large reductions in noise limits are proposed down to 80 dB(A) by 1990, with new controls on low-frequency noise. The heaviest lorries, at 96 dB(A) are "very noisy and as bad as an unsilenced pneumatic drill at 8 yards." A change of 10 dB(A) is equivalent to halving or doubling perceived noise.
- **Roads.** More by-passing of historic and other towns and villages on major routes. "This is the only way to save some of the worst affected places."
- **Lorry action areas.** Zones to be identified and subsidies to be paid for noise, insulation and better roads where lorry traffic is especially heavy.
- **Higher taxes for lorry operators.** These to be introduced to pay for subsidies for environmental improvements and for more by-passes. Lorry parking off-streets to be provided, at extra cost to lorry owners.
- **Heavier lorries.** Higher weights to be subject to maximum axle weight on driving axle of 10.5 tonnes; any more and Britain's road bridges would be damaged. Maximum gross laden weights suggested include 34 tonnes on four axles; 38 tonnes on five axles; 40 tonnes on five axles and 44 tonnes on six axles. The latter has already been rejected by the Government.

Technology funds for Hytec Microsystems

BY ELAINE WILLIAMS

THE British Technology Group—the merged National Enterprise Board and National Research Development Corporation—has funded a small microelectronics company, Hytec Microsystems, through its recently-formed risk finance house for small businesses.

In the past six months, the British Technology Group has provided loans for 15 small companies through its Oakwood Loan Finance offshoot and has received applications from a further 300 businesses.

Hytec Microsystems was set up 18 months ago to provide small business systems which can be added to a large computer network. This is a growing market in the UK, dominated by ICL which has about 28 per cent of the market.

However, Hytec found difficulty in obtaining finance from the clearing banks despite full order-books. Now it has a total of £140,000 of funding from three sources made up of £40,000 from the NEB, £50,000 from the Industrial and Commercial Finance Corporation and another £50,000 from one of its earlier customers, Duncan C. Fraser, a consulting actuary, in return for a 15 per cent stake in the company.

In August, the company had a turnover of £100,000. It believes it can achieve a turnover in excess of £1m within the next year and £2m by 1983.

At present, Hytec imports all its computers but adapts them to suit customers.

Cut-backs threaten bronze age finds

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

THE FUTURE of work into the origins of crannogs in Scotland is being threatened by the Government's cut-back in spending on education.

Crannogs are bronze or very early iron age settlements on man-made islands. Some were built in rivers, such as the Clyde, but most were placed in lochs. Research has found at least 17 in Loch Tay, in Perthshire, for instance, and 20 in Loch Awe.

The fight to maintain the work being done on crannogs is being enacted as the first underwater excavation on a settlement is drawing to a close. A team of archaeologists from the Institute of Maritime Archaeology at St Andrews University, led by Mr Nicholas Dixon, began work a month ago and is expected to finish its first stage in the next week or so.

The underwater excavation now being undertaken near the village of Fearnan on the north shore of Loch Tay has been mounted because most of the crannogs are submerged. Some have come to light when sites have been drained for agricultural development or for hydro-electric schemes. But most have been protected from outside eyes by water. New developments in underwater archaeology have allowed work to be undertaken on the submerged sites.

Preliminary work has shown them to be in "superb condition," according to Mr Dixon. Water helps to preserve many objects. The character of the water in many Scottish lochs has particularly assisted preservation.

Peat bogs are anaerobic—that is, there is practically no oxygen in the water because of the peat. Without oxygen there is little bacteria. This is thought to have been an element protecting the crannogs over the centuries.

Items taken out of water very quickly go black as a result of disturbance and exposure to light. They have, therefore, to be photographed very quickly—within 10 minutes if possible.

Even the preliminary surveys have given a rich indication of the set-up of crannogs, which probably date from about 595 BC. Apart from the timbers, which can be ring-dated, evidence has been found of sheep droppings, human excreta, hazel nuts and bracken.

"Some of the items we have found are almost unbelievable." Mr Dixon says. "They are 2,500 years old but look marvellous.

"These crannogs are the most important archaeological sites in Scotland today.

"I believe there is a massive gap in Scotland between the late bronze age and the late iron age. Very little is known about the people of the time, what they were like, where they buried their dead, how they lived and questions of this nature. I see this work as filling in some of the details."

Some people believe that underwater excavation smacks of a gimmick. They associate it with shipwrecks and hidden treasure.

Mr Dixon is anxious to help destroy this misconception. "Just because is is underwater does not lessen a site's importance."

Offshore crannogs were almost certainly built because they allowed their inhabitants to farm loch-side areas which would have been otherwise inaccessible.

They also offered more protection from marauding animals or other human beings even where they were linked to the land by a causeway.

The discoveries being made are fascinating. It would be a pity if government spending cut-backs inhibit what we might learn from those already found and those still to be excavated.

Electric library vehicle order cancelled

A SCHEME to introduce Britain's first electrically powered mobile libraries has been shelved by Cambridgeshire County Council after the first vehicle was banned from public roads by the Department of Transport because of braking defects.

Cambridgeshire has now cancelled the order for a further eight of the vehicles costing £22,000 each.

The experimental vehicles, based on mobile shops used in Holland, were first introduced in 1979 to save petrol. But a report to the county council libraries sub-committee, which meets tomorrow, says it is most disappointing that the new vehicles have not proved suitable. A conventional diesel-powered mobile library is being bought as a replacement.

The report adds: "The council recognised the undoubted potential advantages of electric vehicles for library operation and actively encouraged their development. It is most disappointing therefore that the vehicles have not proved suitable."

Plans for changes at dock agreed

THE LIVERPOOL Port Employers and the Transport Workers Union have agreed a programme for phasing in changes in working practices on the Mersey which were accepted by the 3,500 dockers last week after five months of negotiations over their annual pay claim.

With the twin points of 1,300 voluntary redundancies in the dock labour force and the changes in working practices achieved, the way is open for further talks with the Government on the port's future.

The planned alterations will be completed by the end of October. The employers gave firm assurances at a three-hour meeting that any anomalies will be dealt with immediately by the port modernisation committee made up equally of employers and union members.

Senior shop stewards remain convinced that the agreed reduction to six in the number of dockers in a working gang will prove impractical in many cases, especially where gangs are working holds.

The employers have agreed that the level will be reviewed if this can be proved.

The Langton Dock control will close from next Monday. The operation will be transferred to the Hornby Dock, which will become the pivot point. Rotation of labour will cease, and the reduced manning scheme will be introduced.

Two weeks later, changes will come into force at the Royal Seaforth container terminal. From October 26, the guaranteed gangs at the terminal will be discontinued, and the men will operate on whatever work is available at the Hornby control.

Cash limit 'will push nurses into poverty'

MR BOB JONES, the National Union of Public Employees national officer for the Health Service, said yesterday that the Government's 4 per cent cash limit for pay increases in public services "can only push more nurses into poverty."

NUPE estimates that NHS nurses' lodging charges may rise by 10 per cent and meals by 4 per cent. Officials say that senior nursing officers could be £100 out of pocket next year, with sisters losing nearly £60 and state registered nurses £30.

Companies seeking to improve quality of life for workers

BY BRIAN GROOM, LABOUR STAFF

A GROWING number of companies are seeking ways of improving "the quality of working life" of their employees in spite of the recession, according to the Department of Employment's Work Research Unit.

In many cases this is in response to problems they have encountered in introducing new technology.

Mr Oliver Tynan, the unit's director, said that the need to change working methods — because of new technology, moves to new sites or the desire to improve employee involvement—but replaced problems of labour turnover and absenteeism as the main reason why organisations approach the unit for advice.

He was announcing the annual report of the Tripartite Steering Group on Job Satisfaction, which oversees the unit's work on improving job design and work organisation.

Although far too few companies had the subject on their agenda, the best way to achieve necessary work changes was to win the commitment of the workers to them, Mr Tynan said. This could be done by trying to make their work more satisfying.

A major electronics company had problems after introducing new equipment. It changed its linear production lines to a U-shape and, because of the better contact between assemblers and testers, saw productivity on some lines improve by 50 per cent more than expected.

Several approaches had been received about the fashionable concept of "quality circles," Mr Tynan said. The unit recommended careful consideration of the circumstances

Requests for help from the unit in 1980 came particularly from the electronics, engineering and food processing industries. Towards the end of the year insurance and banking started to feature more prominently.

Pay freezes 'becoming important'

BY OUR LABOUR STAFF

PAY FREEZES have become a significant feature of labour relations in a number of industries over the past year although the number of workers covered by such agreements are small in terms of the labour market.

Those industries where such wage "pauses" are most prevalent include airlines, iron and steel and rubber and engineering, according to a report by Industrial Relations Services which lists 17 such arrangements.

Most of the freeze arrangements were negotiated with the unions although in some cases they were imposed, after which the company and the unions then agreed the pay increase that would take effect from the end of the freeze.

Most appear to be of fixed duration but some, including those at GEC Machines, are open-ended, with a management commitment simply to review the position at a specified date.

According to the report, those freezes introduced at the end of last year or the beginning of this have been followed by relatively moderate rises of 5 to 10 per cent.

The report though lists a number of employers which include the national building and civil engineering bodies, Perkins and Massey Ferguson, which proposed freezes but withdrew from this position once they had been rejected by the unions.

Apart from the major agreements covering British Airways, British Caledonian and British Steel, the pay freeze list includes 2,700 at Avon Tyres—four month freeze from normal June settlement date; 1,000 at British Midland Airways—12 months from January; 400 at Bronx—review six months after July; 45,000 in ceramic industry—six weeks from March; 700 at Ductile Group — four months from January; 2,000 at GEC Machines—review after six months from April: 22,000 at ICL—review after seven months; 200 at Lightnin Mixers—three months from January; 5,500 at Michelin—three months from January; 1,000 at Peter Brotherhood—six months from April; 200 at Porvair — three months from January; 2,240 at Wiggins Alloys—six months from November last year.

All taxation individual in TUC scheme

By Our Labour Staff

THE GOVERNMENT should introduce a system of individual taxation for all taxpayers, the TUC says in its response, published today, to the Green Paper on husband-and-wife taxation.

This should be done over a number of years by increasing the single person's allowance to the level of the married man's, with subsequent abolition of the married man's allowance.

The TUC recognises that this would result in loss of tax revenue, but says that a fundamental reform of personal taxation is needed to end "systematic discrimination."

The aggregation principle by which a married woman's income is regarded for tax purposes as her husband's would be abolished by increasing the single person's allowance, and linked to increases in those benefits directly connected with circumstances which tend to "justify" one spouse not going out to work. They would include child and invalid care allowance.

The TUC says that a steady rather than immediate transition to independent taxation would avoid substantial immediate reduction in tax revenue.

Legal and General's venture into U.S. market causes surprise

BY ERIC SHORT

THE ANNOUNCEMENT last week that Legal and General Group, the largest pensions company and the second largest life group in the UK, was entering the U.S. life insurance market by acquiring Government Employees Life Insurance Company for \$140m (£75m) caused considerable surprise in the market for several reasons—including the actual price paid.

First, UK life companies in expanding their operations overseas, have tended to follow the flag into the Commonwealth countries, mainly Canada, Australia, New Zealand, or the old Commonwealth country of South Africa. Expansion has also taken place in West Europe following the UK's entry into the European Economic Community.

The U.S. life market has been almost completely ignored by UK life companies. Overseas premium income from the U.S. last year was less than £67m out of a total of £888m. The insurance groups operating life business in the U.S., such as Commercial Union and Royal, do so on the backs of their much larger general insurance business.

The other question mark over L and G's action concerns the timing of entry into the U.S. life market. To put it mildly, this market is going through a period of difficulty and change following the impact of higher rates of inflation and interest rates on patterns of life business.

The backbone of traditional individual life business in the U.S. has been non-profit whole life business—contracts which pay out a fixed monetary amount on the death of the investor. The eroding effects of high inflation have made the U.S. public question the usefulness of this type of policy.

The U.S. public, always more conscious of the need for protection than the UK public, now tends to buy protection in the form of term assurance—contracts which pay out on death only if it occurs within a specified period.

Term assurance is cheaper to buy and more flexible in meeting the protection needs of the public. It is also a much less profitable business to the companies than whole life.

Whole life non-profit contracts disappeared from the UK life scene several years ago. More emphasis is now placed on selling term assurance.

Second, the old style of life policies in the U.S. give policyholders the right to take loans on the security of the policy at a low fixed rate of interest, typically 5 per cent. Investors have been taking advantage of this policy right in order to borrow and reinvest the proceeds at much higher rates. Latest figures show that policy loans have soared 36 per cent in the past two years to \$41.4bn in 1980.

Policy loans now account for 9 per cent of U.S. life companies assets on which they are earning low rates of interest—thus thus cutting into profit margins.

Finally, the tax advantages to U.S. life companies and thus to policyholders become less significant as interest rates rise. There is no tax credit on life premiums as in the UK. Instead, life companies receive tax concessions on their investment rates up to certain levels, with almost penal rates on returns above this level.

The net result is that policyholders get far better returns by meeting their life cover needs through cheaper term assurance and investing in mutual funds.

The life companies answer to these problems is to develop products that place much greater emphasis on the current interest rates earned on investments, particularly bonds. The two products emerging are the universal life and the variable life contracts which can yield up to 12 per cent tax-free.

TECHNOLOGY

EDITED BY ALAN CANE

Strange tale of two teleprinters

BY GEOFFREY CHARLISH

Within days there have been two major announcements, from British Telecom and from ITT, which at last indicate that new technology is being applied to the humble teleprinter.

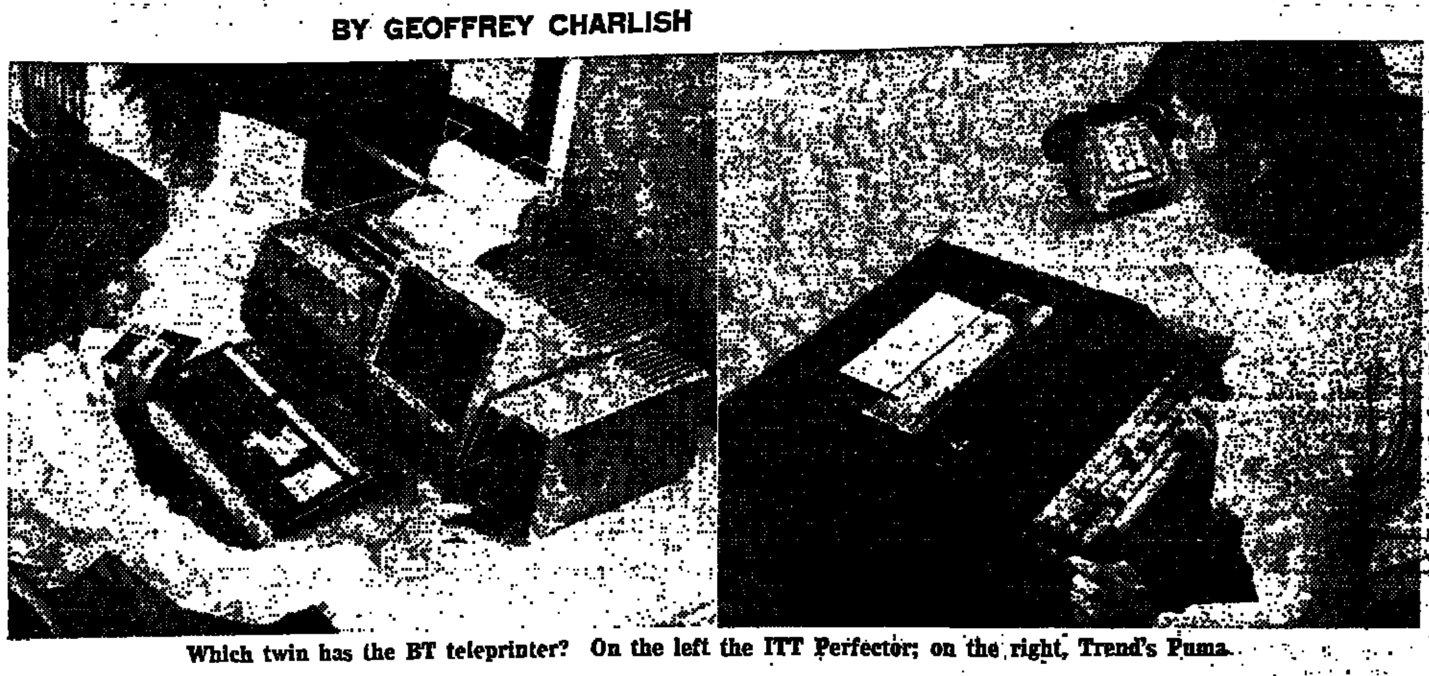
The announcements also seem to indicate a distinctly odd pricing situation, in that BT is offering a rental deal which over five years would cost the customer £3,100, while ITT is offering a machine for outright sale, featuring VDU editing and disc store, at about £2,800. The BT machine has no screen or disc. And most of the price of the BT machine is paid in the first year's rent. Even the addition of a few hundred pounds to the ITT price to cover installation and maintenance would hardly make the figures equitable.

The developments involve most of those features that have been commonplace for some five years in machines such as small business computers and word processors — solid state storage, disc storage, the VDU screen, fast quiet printing mechanisms and of course, the microprocessor. Private telex preparation machines using such technology have been available for some time, too.

Ever cautious

Ever cautious, British Telecom has now taken the plunge with a machine which, although it omits the screen for editing purposes, otherwise brings the new techniques into full play.

Called Puma, it has been designed and will be made by Trend Communications of High Wycombe. It is almost indistinguishable from a modern typewriter and will, it is suggested, make the telex room a thing of the past, residing instead in the executive's office. This all-British product is capable of automatic transmission of stored messages and can also edit messages before transmission, although this is a little cumbersome without a screen.



Which twin has the BT teleprinter? On the left the ITT Perfector; on the right, Trend's Puma.

On the other hand, British Telecom product group manager Dave Skingle points out that most telex messages are "short and sharp," with an average length of 600 characters — making sophisticated editing facilities unnecessary.

But as a starting position, ITT Business Systems of Brighton (which archly inserted its press conference two days before British Telecom's) is clearly taking a different view.

The ITT machine, called model 3000 Perfector, has an editing screen with scrolling and an optional floppy disc store that can be plugged in to hold many more messages.

With the UK telecoms liberalisation policy taking effect from next autumn, ITT clearly feels that there will be a better market for this kind of machine. It has, however, plans to introduce a simpler unit later on.

In any event, ITT is in the final stages of negotiation for bulk Perfector orders from BT. The nationalised telecommunications company will be offering the unit next year.

ITT Business Systems, in its former guise of Creed, was of course the only supplier of teleprinters to the Post Office over a period of half a century. Gearing up production for the new Perfector and other electronic systems while winding down production of the older labour intensive electromechanical units has been a painful process. Nearly 1,000 employees have been shed from the Brighton and Treforest plants.

Precisely what competitive position will take root after next autumn is a matter of some interest. Then, both BT and Trend will be offering the same machine, albeit on the different bases of rental and sale respectively. What pricing situation will prevail (Trend, after all, is a small, relatively low overhead company) and what service arrangements, remains to be seen.

BT plans ultimately to offer a number of machines, all of which it must be assumed, will also be available from the maker direct.

It must all amount to good news for the user. Apart from the competitive pricing that should result, the machines are also a delight to use. For existing and possibly new suppliers, the prospects seem excellent because there are 90,000 or so teleprinters in the UK and over a million world wide.

Details of the units are impressive. Puma will, after the operator has gone home, take each of its previously keyed and stored messages in turn and transmit them, with multiple addresses. It will try five times before giving up. It can remember up to 25 telex numbers and will call them automatically in response to a two character code.

In preparing messages, operators can insert, correct or delete parts of a message held in store. Such messages can be printed out from store at 1,800 characters per minute. On line, the printer works at the telex network rate of 400 characters a minute. A 7 x 5 dot matrix printer is employed.

Rental

First introductions by BT will be in the City and West End areas of London. Rental for the first year is £2,500 for version with 8,000 characters of store reducing to £150 a year subsequently, plus the telex line rental of £300 per annum.

On the announced figures, the ITT unit appears to offer a somewhat better proposition. Its basic storage is 16,000 characters, expandable to 48,000 and for larger scale operation a disc store fits neatly on the side as an option.

Editing and text manipulation is similar to that found in word processors. The machine also has automatic transmission of messages from store and will send them at pre-determined times, whereas the Puma starts trying the numbers as soon as the unit is left for the night. ITT has abandoned the idea of paper tape in principle, but it is offered as an option. The scrolling on the Perfector is particularly smooth—rather like slowly rolling the paper in a typewriter.

Both machines distinguish between text being transmitted or received. In Puma the print changes colour while the Perfector presents slanted characters or upright ones.

Probably the next development to be awaited by potential customers of these new machines is a reconsideration of pricing policy by either, or both suppliers.

Menzies makes moves into low cost POS

MENZIES COMMUNICATIONS Systems (MCS), best known for introducing to the UK a way of talking to computers using ordinary telephones, has gone into the electronic point-of-sale business (Epos).

Its first offering was unveiled at the Epos '81 exhibition last week in London.

Epos terminals are the corner stone of the electronic shop, cash registers which keep track of stock movements and store and record transactions.

They are a cut above the by now common electronic cash registers which are simply electronic calculators mounted on top of cash drawers. They are also becoming cheap enough for smaller retailers to show interest.

Mr Trevor Sokell, MCS managing director, said this week that the new terminals were aimed at retailers with a need for between 50 and 1,000 electronic cash points in multiple locations.

The first customer for the system would be John Menzies, and systems would be operating in some of its shops before Christmas.

The Epos market is already crowded. What MCS seems to be offering is low price coupled with flexibility.

The company claims that at around £2,500 a unit, the system costs only half the price of other, comparable systems.

Mr Sokel said: "John Menzies was unable to find a suitable Epos system which could be tailored to its own specifications at a price it was prepared to pay. Our system, designed and built in the UK, filled that need."

Mr Sokell emphasised the modular nature of the system. Each till-terminal has sufficient intelligence to work as a stand-alone electronic cash register but the concept works best when a number of tills are connected by high-speed communications links to a controller unit. This contains the intelligence of the system in the form of a cluster of Z80 microprocessors. It controls two-way communications to a host computer, data storage and printer and the communications loops for the tills.

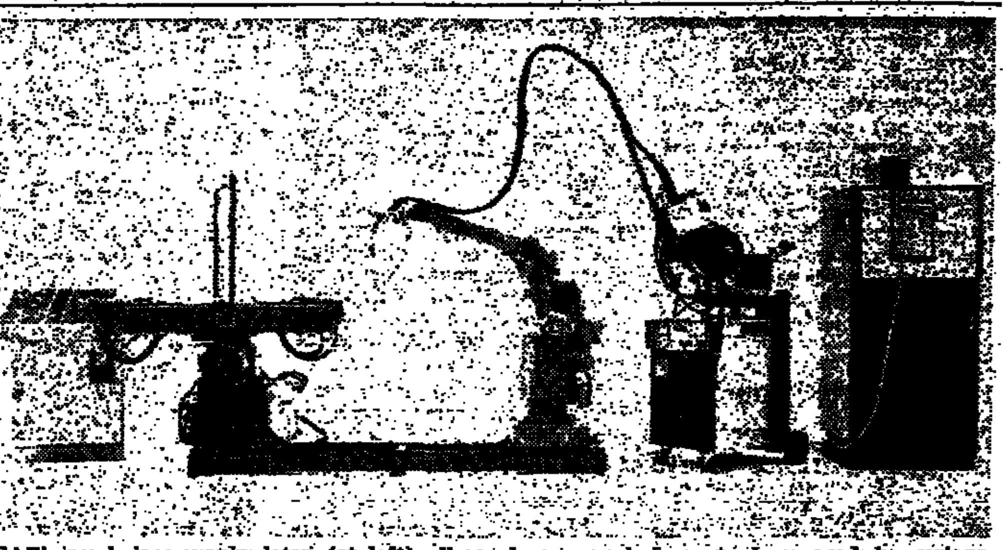
MCS is an interesting example of a company devoted to high-technology enterprises but spun off from a much more traditional parent. John Menzies is, of course, a country-wide stationer and newsagent. MCS started as a company marketing U.S.-made touch telephone, voice response equipment.

This is possibly the cheapest way to communicate effectively with a mainframe computer. Input is via push-button, touch tone telephone—the various combinations of sound possible are recognised by the computer as computer language.

The computer responds by selecting words and phrases from a pre-recorded set to indicate whether the input is satisfactory or not (these days, a voice generation chip is used for the response).

MCS claims to have sold voice response systems to more than 25 European companies in the past three years. The Epos system is one of its first ventures into design and manufacture.

More on 02516 6776.



ESAB's workpiece manipulator (at left) allows larger workpieces to be moved in various axes in a small space.

WORKPIECE MANIPULATORS have been introduced by Swedish welding specialists ESAB of Gothenburg which allow robot welding of larger workpieces to be carried out.

The result of moving the workpiece about as well as the robot arm carrying the welding system means that the work can be carried out much faster since the robot itself can move from weld to weld in simpler movement sequences.

It also becomes easier to produce the best possible welding positions. Normally, two manipulators would be employed allowing work at one while the other is being loaded. The manipulators are accurately servo driven.

All the axes of manipulation, welding voltage, wire speed and current are controlled in one system in which a microcomputer supervising the manipulator "talks" to the micro running the robot, avoiding crashes.

Robot and manipulator can move simultaneously to reach optimum welding position, but during welding only the robot with weld head moves. The workpiece can be moved around within a relatively small volume.

ESAB has also released news of a tracker system that allows the weld head to follow a non-uniform weld path.

A copper ring encircling the torch is used and is connected to a sensitive positional transducer. When the ASEA IRB6 robot moves the ESAB welding head towards a joint, the transducer signals that a contact has been made as soon as the ring has touched one side of the joint.

Then, after a brief contacting or weaving sequence, the robot's controller knows exactly where the torch is in relation to the workpiece and can give ignition and movement orders.

The company has also announced a microcomputer controlled TIG power source which will control the welding process, keep the welding program in memory and transfer programs between different equipment.

Programs are simply keyboarded for various sections of the job and the micro then controls the equipment accordingly. The system, called Protig, can store 50 programs, any of which can be recalled by key depression. In the UK ESAB is at Gillingham, Kent, on 0634 34455.

..POINTERS..

Hand held digital multimeter from Salford Electrical

A HAND-HELD digital multimeter designed for the computer and telecommunications testing industry and a portable oscilloscope DVM meter are to be introduced by Salford Electrical Instruments. The products should go on sale early next year. More from Salford at Peel Works, Barton Lane, Eccles, Manchester (061-484 1211).

Parmet flue economiser for William May

WILLIAM MAY of Ashton-under-Lyne, Lancashire, has developed its Parmet Flue Economiser available for the heating market from this month. May says that in its workshops it was established that when the flue was fitted to an established heating appliance of 50,000 BTU/hr capacity a heat output of 70,000 BTU's was obtained. Details on 061-330 3838.

Adhesive sacrificial anodes

THE CONVERTED Products Group of 3M has launched a range of self-adhesive zinc sacrificial anodes designed to reduce steel corrosion, particularly when the ferrous parts are bolted, spot welded or rivetted together. The anodes are supplied to break out from a tape roll, in a number of widths. More on 0344 58365.

Carborundum introduces refractory papers

THE Carborundum Company, Rainford, St. Helens, Merseyside (074 488 2941) has introduced a new range of refractory and insulating papers in thicknesses from ½ mm to 5 mm. All are based on ceramic (alumino silicate) fibres with varying admixtures of inert fillers, organic binders or other fibres to provide differing thermal and mechanical properties.

Polaroid's distance sensor available as designer's kit

THE DISTANCE sensing device used on the new 600 series Polaroid instant cameras (see this page, August 28) is now available as a "designer's kit" for experimentation.

Priced at £75 plus VAT, the kit comprises an electrostatic transducer, printed circuit board and chips, batteries, wiring and readout.

It has already been used in touchless canes for the blind and vehicle manoeuvring devices. More on 0727 59191.

Allied launches horizontal fluid bed boiler

ALLIED BOILERS of Oldham, who introduced the "Sandfire" vertical fluidised bed boiler earlier this year (see this page, June 9) has now developed a horizontal bed version.

The new boiler, also known as Sandfire, is said to burn any hydrocarbon fuel or waste product which can support combustion within the fluidised bed.

The boiler alone costs between £85,000 and £130,000 depending on size. The range is rated from 8,000-30,000 pounds per hour.

Allied's purpose has been to produce a small, low cost fluidised bed boiler for the smaller firm.

More on 061 633 1131.

HP goes for LCD display

HEWLETT PACKARD, the undisputed leader in large programmable scientific calculators, have announced two new machines which differ significantly from HP's conventional models.

The HP-11C is intended for scientific use; the HP-12C for financial and business applications.

Both calculators have continuous memory and a horizontal keyboard design with liquid crystal display. For years, HP clung tenaciously to bulky, upright designs with a red light-emitting diode display.

According to the company, the new calculators are also the first HP machines to use button cell batteries. A combination of liquid crystal display and complementary metal oxide silicon circuitry means very low power consumption and battery life of about a year.

The new calculators are cheap — £81 for the 11C and £90 for the 12C.

Calculators of this sort come close to the idea of application computers — machines dedicated to single tasks or subject areas.

COMPANY NOTICES

CLUBS

BUILDING AND CIVIL ENGINEERING

Time to test the flood gates on the Thames

THE FINAL flood alert campaign warning London's population of the dangers that high tides and bad weather can bring to the capital is to take place in November.

It is hoped that by the winter of next year London will be at last protected by the Thames Barrier—designed to guard the city from surge tides.

After the rescheduling of the work in May 1979 when a series of labour disputes disrupted the programme, the project is now likely to meet the revised completion date, some two years behind the original schedule.

Most of the main civil engineering work is now completed according to Costains—part of the consortium of Tarmac and HBM which is carrying out the main construction work.

Less clear is the progress of the mechanical work—which involves installing the complex mechanisms for lifting the giant barrier gates. This work is being carried out by the Davy Cleveland Barrier consortium.

The barrier consists of a set of piers, between which are huge steel gates. There are four central gates—each weighing 3,200 tonnes and spanning 200 ft—which lie horizontally on the river bed in concrete sills.

When an alert is given the gates will be lifted hydraulically out of the sills to face the flood. On either side of these so called "rising sector" gates are smaller ones which are operated like a portcullis and lowered to the sea bed.

The last of the sills is expected to be installed this month and two of the gates are already in position. So far five stainless steel roofs have been built on the piers to protect the complex lifting mechanism—a further four have yet to be installed.

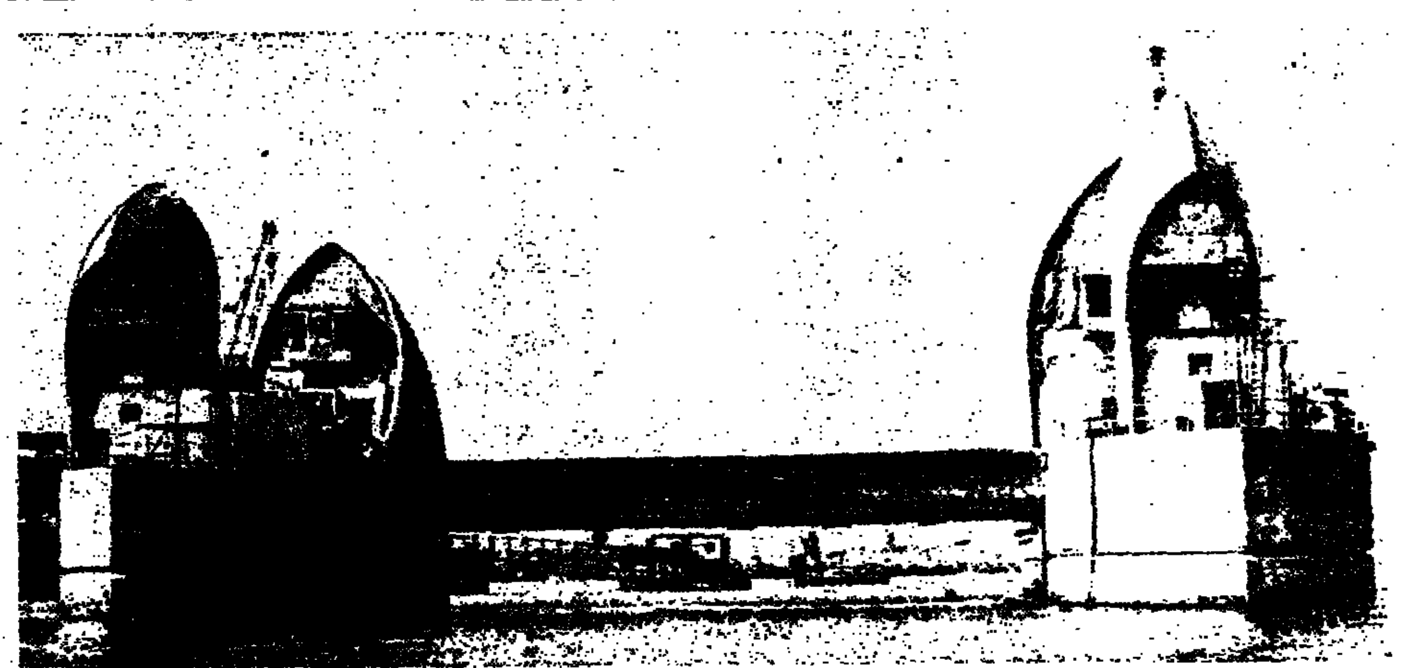
Technical problems coupled with the labour disputes contributed to the delay and increased the final cost of the project.

From an estimated £38 in 1974 the March 1981 estimate was £451m. However, the final cost is likely to be more than £500m.

Redundancies

Last week the latest round of planned redundancies took place with 350 men leaving the site. This is part of the agreement negotiated in 1979 which laid down bonus payments for workers leaving the project.

Further redundancies are planned for January, April and August last year when the civil works will be finished. At present there are about 8u0 workers on the barrier project compared with more than 1,400 during the peak of building.



Some of the problems during the building occurred when the 1,200 tonne arms, which hold the rising gates in position, were installed. The work was carried out to fine tolerances. The installation of the arms was confined to only 20 minutes or so at high tide when there was little or no changes in the water level.

This caused delays in slotting the gates into position and there were fears at the beginning of the year that this would push back the completion date. However, much of the time has now been made up

Open channel

The work on the barrier—which is above the entrance to the Royal Docks at Woolwich is south east London—has had to be carried out while allowing passage to the 45,000 ships which use this waterway every year.

So, work has been carefully phased to keep at least one channel between the piers open to traffic.

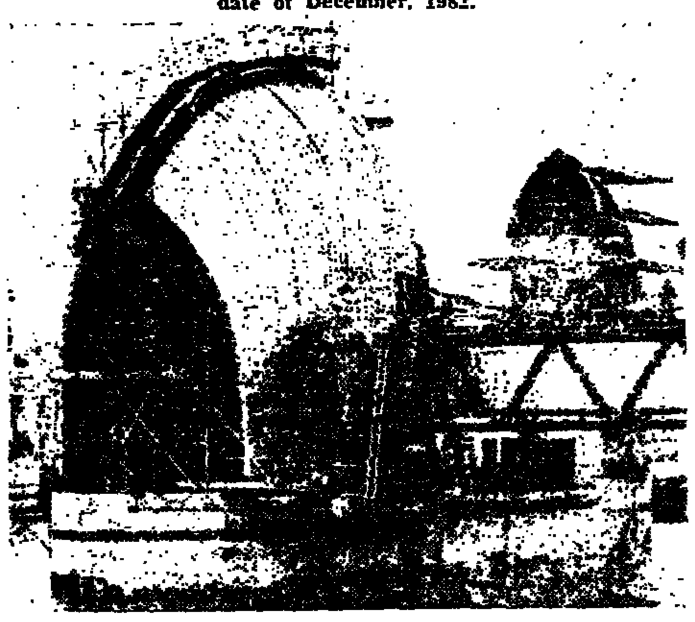
While the barrier is still inoperative up to 250,000 homes, factories and offices could be in danger from surge tides—caused by bad weather pushing water up the Thames estuary.

The GLC has estimated that a major flood could cost as much as £3bn in damage to building, electricity supplies and the underground.

Though London has had several near misses, the last time the city experienced any flooding was in 1953. However, London is slowly sinking into the clay beds on which it is built at a rate of a foot every 100 years—resulting in higher tides and increased danger from abnormal surge tides.

ELAINE WILLIAMS

The first of the four giant floodgates were tested earlier this month by the Davy Cleveland consortium, bringing the Thames project back on target for the revised completion date of December, 1982.



Nepal irrigation scheme

ABOUT 13,500 hectares of Nepal are to have a modern irrigation system in an area which is as at present served only by primitive canals built by peasant farmers. The source of water for irrigation will be the Babai River, which rises in the foothills of the Himalays.

The scheme will be financed partly by the World Bank (IDA) and partly by the Government of Nepal. The consulting engineers are Sir M. MacDonald and Partners, Cambridge, in association with Eastconsult, Kathmandu, Nepal.

The Government of Malaysia Department of Drainage and Irrigation has appointed Sir M. MacDonald and Partners, in association with Hunting Technical Services, Boreham Wood, for the exploration and development of groundwater resources for agriculture in areas of water shortage covering 132,000 sq km of peninsular Malaysia.

The estimated cost of the project, due for completion in 1983, will be announced at a later date. It will include the investigation of groundwater resources, drilling, and the sinking of wells.

The United Nations Food and Agriculture Organisation has commissioned a study to assess the damage suffered by farmers as a result of recent flood in Somalia, when the banks of both the Shebelle and Juba rivers were breached.

Sir M. MacDonald and Partners have been commissioned jointly with Hunting Technical Services to undertake a survey and make preliminary recommendations for protection from future flooding.

Leicester by-pass won by D.H.

THE UPPINGHAM by-pass road in Leicestershire is to be built by D. H. Contractors (Cambridge) under a contract worth £964,439 awarded by the Department of Transport.

The by-pass, a single carriageway about 1½ miles long, will start just west of Beaches Road junction (Ayston Turn), pass north of Uppingham town, and rejoin the existing trunk road about 300 yards west of Baulk Road junction.

A new roundabout will be built at the junction of the A6003 and Ayston Road, with T-junctions at both ends of the by-pass to allow traffic to enter or leave the town centre.

The by-pass is needed because the existing trunk road passes through the town. It is narrow, winding and frequently jammed because of the number of heavy goods vehicles using it.

AMOCO has appointed Officescape as main fitting-out contractor for is new Central Cross building in Tottenham Court Road, London. The contract, worth £1.2m, includes office partitioning to the value of £300,000 as well as improvements to the mechanical services and the installation of air-conditioning and conference rooms.

Other new office-fitting contracts won by Officespace involve the premises of Max Factor in Davies Street, London, W1 (£350,000); Kerr McGee Oil (£170,000); and Dow Scandia (£200,000). The fitting-out valued at £500,000, of Commonwealth Holiday Inns' new hotel in Glasgow, is due to for completion early next year.

Taylor Woodrow job

FOUR CONTRACTS with a combined value of nearly £2.4m have been won by Taylor Woodrow Construction (Scotland).

The largest, worth about £1,105,969, was awarded by the Properties Services Agency for the design and erection of a single-storey office and general stores building and facilities at Fauldhouse, Midlothian. It will have a floor area of about 5,689 square metres. Work on site has begun and is due for completion in October next year.

The second contract, also awarded by the Property Services Agency and valued at £741,000, is for the building of a special support facility, comprising a new workshop and office, electricity sub-station, vehicle park and access road.

The third contract, worth £447,000 and awarded by Seaforth Maritime, is for the construction of an additional berth at the North Lock, Aberdeen Harbour, including sheet piling, a reinforced concrete slab and ancillary works. Completion is due at the end of November.

The fourth contract, valued at £26,000 and awarded by Taylor Woodrow Industrial Estates, Glasgow, is for the building of an access road on the Hillhouse Industrial Estate, Hamilton.

Wates £2.1m renewal contract

A 78-WEEK contract valued at £2,100,000 to modernise and enlarge 82 flats in five-storey blocks built between the wars at Morley House, N16, has been awarded to Wates Special Works by the London Borough of Hackney. The work is due to begin next month.

In addition, Sun Life Properties has awarded Wates Special Works a contract valued at more than £1m to refurbish post-war offices at 28, Bury Street, EC3. It comprises the repair of the facade and interior improvements including the installation of new lifts and a plant room at roof level.

In High Street, Tooting, a 33-week contract has been placed with the same company by Ravenseft Properties to demolish the Vogue cinema and replace it with two-storey shop units. The value of the contract, due to start next month, is £298,000.

Wates Special Works is also to refurbish Bridgefoot House, Kingston-upon-Thames, for the Midland Bank. Valued at £154,000, the contract will run for 21 weeks.

£3.5m plant for Inmos

MECHANICAL services, air conditioning, plumbing and fire protection services at the Inmos micro-chip plant at Newport, Gwent, will be installed by the Rosser and Russell Group under a contract worth about £3.5m.

The factory, due for completion next year, will produce advanced commercial silicon chips. It is designed to make an architectural feature of the mechanical services, exposing the air-handling and related equipment in a two-storey spine running down the centre of the single-storey building.

A feature of the building services contract is the close control of the atmosphere in the manufacturing area to provide ultra-clean work stations. About 1,000 people will work in precisely controlled conditions of temperature and relative humidity, with the air-flow subject to optimum filtration.

The architects are Richard Rigers and Partners and the consulting structural engineers Anthony Hunt Associates.

Saudi deal for Laing Wimpey

TWO SIMILAR 100-bed general hospitals are to be built in Saudi Arabia by Laing Wimpey Alireza under a £50m contract awarded by the Saudi Ministry of Health.

Both projects will be undertaken concurrently and are due for completion within a contract period of 23 months. The hospitals, situated at Al Bukayriyah and Al Midhnab, will be about 50 miles apart and about 200 miles north-west of the Saudi capital of Riyadh.

Each hospital will occupy a site of about 100,000 sq metres and have in situ reinforced concrete frames with pre-cast spandrel panels. The main three-storey buildings, recreation centre and ancillary structures will be clad in marble held away from the inner wall on a steel frame to provide an insulating cavity against the high ambient temperatures.

Facilities for maternity, gynaecology, paediatrics, physiotherapy, radiotherapy and dentistry will be provided and each hospital will have two operating theatres, a blood bank and a haemotology laboratory.

The architects and structural engineers are John Laing Design Associates and the sub-contractors for the main services are Total Termica and Redi Electric, both of Milan.

£2.75m Fiji power plant

ABOUT 18km of access roads to the Monasavu hydro-electric power station in Fiji are to be built by Rush and Tompkins International under a £2.75m contract awarded by the Fiji Electricity Authority.

The work includes quarrying, rock-crushing and laying the material in remote areas of the island. The consulting engineers are Sir Alexander Gibb and Partners.

Hunting Gate £2.2m scheme

A FACTORY and office scheme at Welwyn Garden City, Hertfordshire, valued at £2.2m, is being carried out by Hunting Gate Developments. The 2.16-acre development in Watchmead, in the industrial area of the town, will be occupied by Pattern and Marine Engineering.

The project is being financed by Hunting Gate from its own resources and the completed investment will be retained by the company. Work on site is under way and completion is due in December.

Hunting Gate is also to develop a site near the centre of Orpington, London Borough of Bromley. At the corner of High Street and Spur Road, the site will have a self-contained office block of about 5,000 sq ft and a hall for Orpington Village Hall Trust.

The value of the development is about £500,000.

Linford has £1.2m order for hospital

CONTRACTS WORTH more than £2m have been won by the Linford Building Group.

The largest scheme valued at £1.2m is to provide a new extension for St. Andrews Hospital, Northampton. Construction should be completed in about 18 months' time.

Other projects include building the first phase of a primary school at Cannock in Staffordshire and refurbishing the restaurant at Trusthouse Forte Hotels' Grosvenor House in London.

Lelliott's £3.5m deals

THE LONDON-BASED company John Lelliott has been awarded contracts slightly in excess of £3.5m. The largest, worth £1.8m and awarded by a property subsidiary of the Dow Scandia Banking Corporation, is for a three-storey air-conditioned office block in Bath Road, Hounslow.

Work began early this month and is due for completion in October next year. The building will have piled foundations, double-glazed windows and facing brickwork.

Heal's store in Market Square, London Borough of Bromley, is to undergo extensive structural alterations under a £850,000 contract awarded to Lelliott by European Investments and Developments (UK). New mechanical services and a lift will be installed and curtain walling on the front elevation replaced or upgraded.

Two separate shop units will be formed at ground and first-floor level, with offices above. The architects are the Project Design Partnership.

A £325,000 fitting-out contract for McDonalds Golden Arches Restaurants at 127-129 Kilburn High Road, London NW6, brings the total of McDonalds premises fitted out by Lelliott to 19. The architects are the Asseal Rowe-Parr Partnership.

Maintenance depot deal for Bryant

CITY OF BIRMINGHAM District Council has issued a contract to Bryant Construction to build its new £750,000 vehicle maintenance depot.

This brings the value of new contracts won by Bryant Construction to £5m in the past few months.

This latest design and build contract is for a structural steel framed building of 3,360 sq m. The building will contain workshops, inspection pits and brake testing bays.

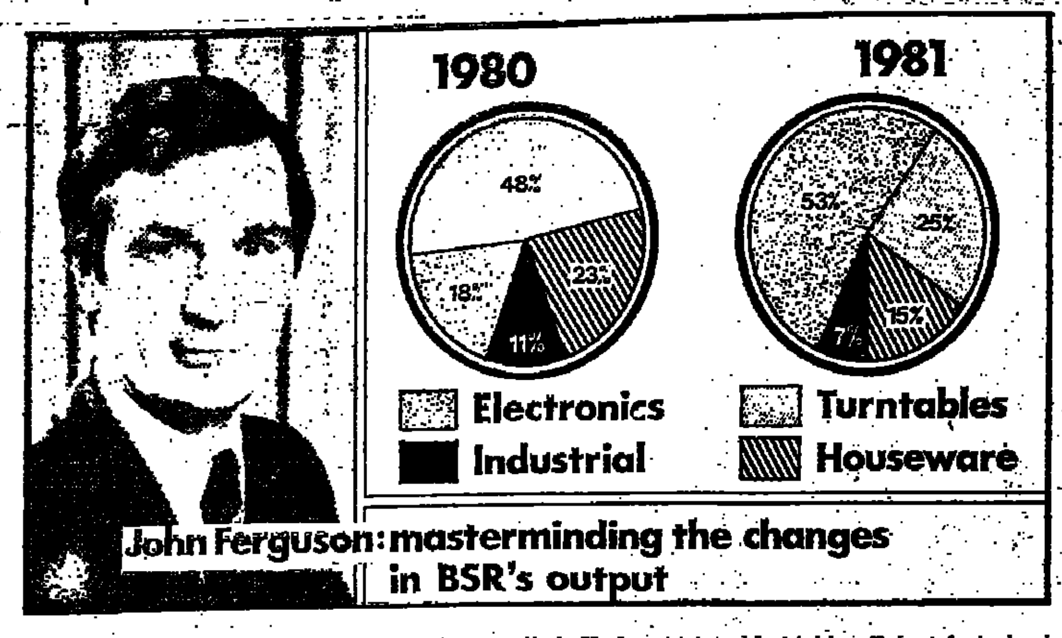
Other Midland contracts now under way by Bryant Construction include modernising 104 dwellings at Parkfield for the Wolverhampton Police at a cost of £908,000; various building works for BL Cars' Austin Morris plant costing up to £1.5m and two contracts for office refurbishment won by its associate companies.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

A switch in time

Jason Crisp explains how BSR has changed—in the short space of a year—from a domestic consumer product manufacturer to potentially an international electronics company



John Ferguson: masterminding the changes in BSR's output

THERE can be few companies which have changed so much and so quickly as BSR. Two years ago it was a profitable, predominantly one-product company, with the great majority of its 18,000 employees working in the UK.

Today it employs just 8,000 in the UK but has a Far Eastern workforce of 5,000. The one product, record changers, now accounts for about one-quarter of turnover. Meanwhile, electronics and electronics-related products have come to account for over half of sales. And last year's losses have turned to a small profit in the first six months of this year, according to figures published last week.

Until about two years ago BSR appeared able to perform some remarkably un-British miracles in an area of manufacturing which one might expect to be dominated by the Japanese.

BSR held no less than 75 per cent of the world market for record changers—the turntable mechanisms which audio companies put into record players. In addition it also sold very successfully to the Japanese as well as to the very large U.S. market. In its heyday BSR was making 250,000 record changers a week containing a total of 40m components, most of which it made itself.

The company earned a high-flying reputation with a small and fast moving management team, impressive levels of productivity and manifestly good salesmen. When the collapse came it was all the more traumatic.

Sales which had reached a peak of £159.8m in 1978 started tumbling and reached £141.3m last year. Profits which had never surpassed the record £28.7m in 1976 suddenly dropped to a loss of £17.7m in 1980. A highflyer had nose-dived into the ground.

There are a number of reasons for BSR's nosedive. One of its greatest strengths had been the low prices which it achieved through vertical integration and economies of scale. (By achieving considerable standardisation of mechanisms for products across the range it had long production runs for components.)

BSR's biggest market was the U.S. — accounting for 60 per cent of sales—and it was badly hit by the then strength of the pound against the dollar. Also the U.S. market itself was changing, for several reasons.

The teenage population—who bought the typical "mid-fi" audio equipment using BSR's changers—was getting smaller. Cassette tape-recorders were becoming more popular as well. And the U.S. market for audio equipment began to follow the more sophisticated European trends in hi-fi, opting for non-automatic turntables (made by the Japanese) instead of the record changer.

According to John Ferguson, BSR's chairman, a major factor affecting the audio market has been the impact of the recent video boom. Families spending several hundred pounds on a video-recorder are unlikely to replace their sound system in the same year. Not only did the overall market for record players collapse but BSR also lost market share. It is now below 50 per cent.

Saucepans

BSR had long been criticised for being a one product company and the slump in the audio industry was proving the critics right. BSR had made a number of attempts in the 1970s to diversify but practically all were vulnerable to any drop in consumer spending and proved to be little help in cushioning the fall.

It first started trying to diversify in 1971 when it bought Bulpitts (Swan Brand) which makes electric kettles. Through the 1970s it went on to buy Goblin, making industrial vacuum cleaners and tea makers, and also Judge International, which makes saucepans.

In retrospect they do not look particularly wise purchases. John Ferguson grimaces and says: "Put it this way. If someone offered something for the consumer products division I would seriously consider it."

Also in retrospect Ferguson is able to say that the great pressure to churn out 250,000 record changers a week had left management little time to think of other issues.

Nonetheless, ever since BSR found itself in difficulties it has moved with considerable speed to solve its problems. It no longer can be described simply as the Birmingham-based manufacturer of record changers.

It slimmed down and cut costs rapidly to match the fall in sales. The dramatic cut of 10,000 employees to 8,000 was achieved through the closure of three factories in East Kilbride in Scotland, as well as substantial redundancies in the Midlands. And following two acquisitions this year it now employs 5,000 people in the Far East making a variety of products from computer peripherals to hi-fi equipment.

This latest diversification is more determined and broader than the efforts in the 1970s and the company has considerable hopes of the growth potential of computer peripherals. In the current year half of BSR's turnover will come from electronics and electronic-related products with record changers accounting for just one-quarter of sales. Last year they accounted for about one-half.

The search for new companies began in autumn 1979 when Ferguson had been convinced that there really was no further growth in the audio market. (He confesses he did not foresee the rapid decline but points out that twice before he had disbelieved predictions of a collapse in the industry — and had been proved right.)

BSR wanted to buy companies with strong skills and a knowledge of microelectronics—because it would have taken the company years to develop these for itself. The first choices were Japanese companies because Ferguson is firmly convinced of their superiority in electronics over any other country. BSR looked closely at three. "Every time I began to look closely the shutters were very firmly put up and it became obvious it was almost impossible to buy a Japanese company," says Ferguson.

The first step down the acquisition trail was almost accidental. BSR had designed a product, called X-10, which centrally controls residential lighting and electrical appliances and was looking for a company in the Far East to manufacture it.

The company it found was Hong Kong-based Astec, which mainly makes computer peripherals. At the time (October 1979) one of the partners in Astec wanted to raise some capital and BSR bought some of his shares, representing 20 per cent of the company.

But its main search was for a company in consumer electronics which would slot in well with BSR's traditional skills. At about the time of the initial purchase of Astec shares BSR was also talking to Capetronic, which makes cassette recorders and other consumer electronic products from five factories in Taiwan, and one in Chicago.

Ferguson had known the company for 12 years through the audio industry and says he had always been impressed by its management, mainly Japanese or Japanese trained.

Greenfield

Astec's main product line is in switching power supplies for the computer industry, which converts the alternating current from the mains electricity supply, to a carefully regulated direct current. Its problem, as described by Ferguson, was that demand was outstripping production and it faced the time-consuming and costly task of building a new factory on a greenfield site.

On the other hand Capetronic's problem was that it needed to broaden its product base if it was to survive and keep its factories fully loaded. Ferguson saw that each company's problem was the other's solution.

Without knowing if it would be possible to buy Capetronics, BSR bought a controlling interest in Astec in May last year — on the grounds that its products had considerable potential, even if it did mean building a greenfield factory.

For Ferguson the logic of bringing the two companies together under BSR's umbrella was that Capetronics could provide highly efficient factories in Taiwan, Astec the fast growing product and an access to computer companies, while BSR provided financial strength, mechanical engineering skills and its distribution network.

The chairman of Capetronics, and its major shareholder, agreed to sell to BSR early this year and in April the shareholders of Astec agreed to sell the outstanding equity, of just over 45 per cent.

One of the difficulties which faces the enlarged group is in getting the two highly entrepreneurial and individualistic Far Eastern companies to work together effectively. BSR has set up a Far Eastern board to oversee the two companies and ensure co-operation, comprising two people from Capetronics, two from Astec, the managing director of BSR Japan and John Ferguson.

Although Ferguson doubts whether the two companies could have merged successfully on their own he believes the partnership will work under BSR with himself as catalyst.

The result of BSR's rapid switch to the Far East has radically changed the nature of the company from a UK-based mechanical engineering company to what may soon be described as an international electronics company. The major growth area is inevitably expected to come from the Far Eastern division and mainly from computer peripherals

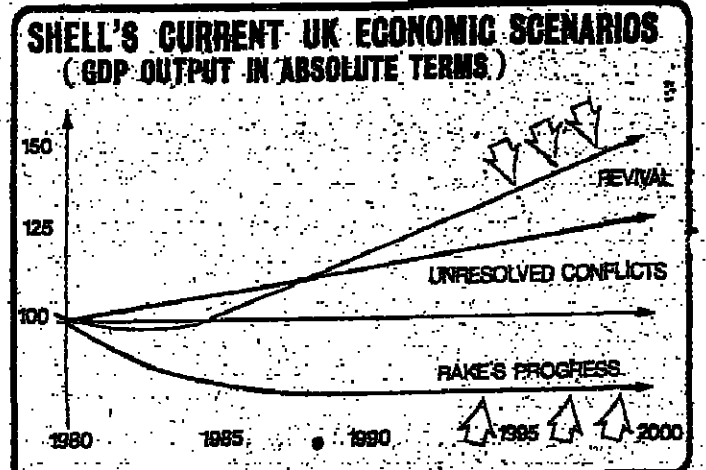
Although Ferguson emphasises there are many "ifs" he is talking of sales from the Far East division reaching $500m by 1985. As for what remains in the UK, he says there are no plans for further contraction and although it has a diminished share of the record changer market the strength of the dollar is now helping the company.

Costs in the UK have been reduced to take into account the lower levels of business in record changers and the company is working a five day week. Employment in the UK is expected to remain constant. There is a possibility that in the future some electronics production may be introduced in the UK but it would only be done once the company had developed sufficiently automated equipment to compensate for the higher UK wage rates.

The recent rapid change in structure of the company is likely to continue, but at a slower pace, as the Far Eastern division naturally expands in the growth area of computer peripherals. Or so BSR hopes.

How Shell found an antidote to fallible forecasts

BY CHRISTOPHER LORENZ



CHIEF executives, planners and economists beware! Those forecasts you all love rest on a fallacy: that the future can be measured and controlled. To base your decisions on them is as dangerous as pursuing a straight line through a minefield.

So say two of Shell's most experienced planners, Peter Beck and Michael Jefferson. Painfully aware that most people are still "hooked" on forecasts—including quite a number of Shell's own middle managers—Jefferson condemns many business school courses and much economic theory for reinforcing a "pretend world" in which people "speak and act as if (they) had knowledge where it cannot exist." They seek firm answers and "optimum" solutions as if uncertainty could be eliminated. And they attach spuriously quantified probabilities to what are merely unquantifiable possibilities.

Executives who are wise enough to abandon this cosy and blinkered approach to decision-making, and face the real world of uncertainty, can suffer "traumatic" withdrawal symptoms, warns Beck. "It is not easy to relinquish the pseudo-certainty that forecasts provide and to face up to the constantly shifting features of reality."

In their separate papers—Jefferson's to this month's British Association annual meeting in York and Beck's in a document just published by Shell*—the two planners explain how many of their company's business decisions have been improved by being taken against the background of a set of carefully prepared and starkly contrasting "scenarios" of social, political and economic developments over the next 10-15 years; the scenarios are intentionally long on qualitative content, and short on quantification.

In spite of some failures, the record of multiple scenario planning in Shell over the past decade has been "a remarkable success," claims Jefferson. It has "helped people to cope much better with uncertainty in a period of unusual turbulence."

The most notable example is the way that Shell, unlike most oil companies, was prepared for OPEC's decision dramatically to increase the price of oil in 1973. After several earlier warnings that an oil crisis was possible, by May of that year Shell's planners were concentrating attention on its virtual certainty. But not every part of the giant Shell organisation was equally quick to adjust its attitudes and action accordingly, admits Jefferson, who as both planner and operational manager has an unusually good vantage point.

On the positive side, he also claims that "it has been noticeable how much lower Shell's growth and demand assumptions were after 1974 . . . than those of competitors, national governments, international institutions and forecasting institutes. . . ." Shell therefore gave itself some advance warning on where it should spend money and where it should not.

More recently, Jefferson again admits that the planners' warnings "have not always gone down well or quickly with the more venturesome or traditional spirits geared to the ways of thinking and acting appropriate to the high-growth 1950s and 1960s. Shell has not avoided all the problems of overcapacity which have afflicted the oil and chemical industries in recent years, although without the scenarios this problem would certainly have been even worse, and remedial action further delayed."

The sharply contrasting character of Shell's current scenarios is clearly shown in Beck's paper. The strongest prospect for Britain's short-term GNP growth—but not the long-term—is suggested by the scenario entitled "Unresolved conflicts," which envisages Government and industry "muddling through" in response to short-term pressures rather than tackling the country's underlying problems. Economic growth is well below the post-war average, and even this is only possible with the aid of revenues from UK oil and gas going largely into consumption.

Attitude

The second scenario "Revival," gives the highest growth in the long-term. It implies a change in attitude and a gradual restructuring of industry, away from the older declining fields towards areas of growth. In essence, says Beck, it represents "the constructive use of the advantage of possessing indigenous oil and gas to tackle problems such as low productivity and resistance to change."

The third, "Rake's Progress" is to some extent an extrapolation of recent social, political and macro-economic trends. "It could come about through a failure of the present Government's strategy, leading to a series of increasingly desperate policy changes, none of which is given enough time to work," warns Beck. Little growth could be achieved in the 1980s in such a situation.

The good Shell manager will take all these possible futures into account in his business planning and decision-making. But the forecasting addict will resist.

The reluctance of some managers to use multiple scenarios as a framework for their decision-making is explained by their natural attraction towards anything that looks like a "best case," according to Beck.

This is one reason why he draws a clear distinction between scenarios and the application of sensitivity analysis to single-line forecasts, which produces a series of qualifications around them. "These qualifications become dissipated — or even disappear altogether — as the set of figures is passed through an organisation and perhaps beyond," warns Beck.

People's stubborn addiction to single lines and "best cases" is one of the factors which prompted Beck to publish his paper. As Planning Director of Shell UK, he not only has to grapple with this addiction within his company, but also in the outside world, with government one of the most frequent offenders. "Managements as well as governments are seen as entities with firm views, and if those views change, the result is sometimes mistrust."

The second main reason for publication is an internal one: "to help achieve a better understanding within the company of what planning is about." Rather than actually preparing plans for the different parts of Shell UK, Beck's unit is providing a framework within which other people can plan.

**Corporate Planning for an Uncertain Future.* By P. W. Beck. Available from John Pike, UKPA11, Shell UK, Shell-Mex House, Strand, London WC2R 0DX.*

Economic Uncertainty and Decision-Making. By J. M. Jefferson. To be published as part of "Beyond Positive Economics," ed. J. Wiseman, by Macmillan in 1982.

Several contributions on scenario planning in Shell contained in a series of Management Page articles on planning, to be published in booklet form at the end of September, under the title of Strategic Management and Planning in an Uncertain World. From Diana Twaites, FT Publicity Department. Price £2 including p + p. Payment to be enclosed with order.

THE ARTS

Architecture

A test for taste

by COLIN AMERY

"The monument erected by the nation to the memory of the Prince Consort is now approaching completion, and has been the centre, this season, as may be supposed, of much sightseeing and admiration, as well as of some more learned criticism. The dazzling sparkle of the gilding, the gorgeousness of the bright colours and brilliant contrasts of the precious stones, the sheen of the mosaic work, and the lustre of the masses of granite and marble, are quite new effects to the untravelled Englishman, accustomed to nothing more striking out of doors than the gilded ball on the top of St Paul's . . ."

These words appeared in The Builder in August of 1871 and in 1872 the great national shrine to the Prince Consort was inaugurated, despite the fact that the 14 foot high seated bronze figure of the Prince was not in place until 1875.

The Albert Memorial has always been a controversial creation. For a long time it was not just a "test for taste" but seen as the epitome of all that was excessive and absurd about High Victorian design and decoration. It has on the other hand, often been venerated and loved because it is such an English and such a Victorian event. Hermione Gingold wanted to take it with her when she sailed away with her 'Desert Island Discs,' and Lytton Strachey never stopped laughing at the fantastic and pompous combination of qualities that make the monument so bizarre.

The tides of taste have certainly turned when it comes to things Victorian and in a new book published this week it is made clear that we have to take the memorial very seriously as an important example of the arts of mid-19th century. The long and fascinating story of the building of the Memorial is told by Stephen Bayley in *The Albert Memorial, the monument in its social and architectural context*, published by Scolar Press, price £18.50.

It is not such a weighty tome as the title or indeed the price might suggest. In 160 pages the author, who is a young historian, skips lightly through his material and tells the tale of this strange and wonderful creation economically and often amusingly. There is always something particularly enthralling about the detailed story of the creation of one work of art.

This particular work has a story to tell that is complicated by the nature of the man being memorialised and the complex dealings that the artists, in this case George Gilbert Scott and the many sculptors and craftsmen, had with officials at court and with Queen Victoria herself. Mr Bayley has spent two summers in The Round Tower at Windsor piecing together the tale of the tribute from the Royal Archives.

The tale is movingly told at the beginning when Mr Bayley describes the "national rush of woe" that followed the sudden death of the Prince Consort. In this tide of grief Albert Memorials grew up in large numbers. Some of them took the form of statues, some of schools and institutes that reflected Albert's own interests, and one in Manchester was a Gothic canopied shrine. This was designed in 1862 by Thomas Worthington and Mr Bayley is not very forthcoming about its influence on Scott. He is, however, clear about the rich variety of ideas provided by the seven architects who were asked to submit designs.

P.C. Hardwick submitted a design for a statue of the Prince on a giant pedestal flanked by urns and lions. Professor T. L. Donaldson suggested a statue that was some 30 feet high sheltered by an open classical canopy with a hypocaust in the lower floor, to ensure that there was no air of damp misery about the monument. Sir James Pennethorne designed a classical mausoleum embellished with statues and fountains.

Sir Matthew Digby Wyatt offered a choice of classical temple and a medieval octagon. If these failed then a large statue of Britannia crowning the Prince with a wreath of honour was also on the cards. Edward Barry's proposals put more emphasis on the Albert Hall and simply suggested a white marble memorial where architechs, painters and sculptors would combine their talents. Charles Barry was all for the Italian styles and proposed a marble statue protected from the rigours of the English climate by a building based on the Certosa of Pavia.

In the face of all these classicists George Gilbert Scott was not daunted and his Gothic canopy over a statue of the Prince appeared as the most original of all the designs. He described it as "a kind of ciborium . . . on the principle of the ancient shrines . . . to *protect a statue of the Prince . . . These shrines were models of imaginary buildings, and my* idea was to realise one of these *imaginary structures with its* precious metals, its inlaying, its enamels, etc."

The design was thought to be *so entirely appropriate that the* Royal Commission advising the Queen recommended that the design should be built regardless of cost.

Mr Bayley in a careful account of all the features of the Memorial—the sculpture and the mosaic—makes it clear what a Parnassus the Memorial was intended to be. 169 poets, painters, musicians, artists and sculptors are represented by life-size figures.

The Albert Memorial

The statue of the Prince was originally gilded, the effect of which was thought to be too dazzling even for high Victorian taste. Stephen Bayley avoids making aesthetic judgements only describing the mass of figures as "over complex." His book tells a story that is in many ways hard to comprehend today. Victorian enthusiasm for memorials that were distinctly material reminders of heavenly aspirations seems remote, almost unnecessary today.

The photographs in the book *focus on the details in such a* way that as the story unfolds a pictorial jigsaw builds up. The structural drawings are very revealing and in some way help to correct the disturbing visual effect of the top heavy canopy that has rather weak looking supports. It is sad that in a book that is not cheap there is no colour.

The Albert Memorial was intended to be dazzlingly colourful and rich, you can read the story of its creation — well told in this book — but for the almost vulgar full colour effects there is no substitute for the real thing.

Leeds International Piano Competition

by ARTHUR JACOBS

There were 65 minutes to be filled in—with discussion, nail-biting, or the eating of sandwiches in the crypt—between the end of the music at Leeds Town Hall on Saturday night *and the announcement of the* results of the Leeds International *Pianoforte Competition.*

After the challenge of six concertos chosen by the finalists from the list of 12 prescribed works (no one chose Bach, Mozart, or Bartok), it was important to recall that the 14 jurors were charged with deciding the results on the basis not only of the final round but of all previous stages of the competition as well.

Those of us who had attended only the two final nights, or had followed them on BBC TV, were therefore hardly entitled to disagree with the verdict.

The winner was Ian Hobson, one of the two British finalists and a popular choice, especially since he had gained fourth place at the last Leeds competition in 1978. The other Briton was Peter Donohoe, who was placed sixth. The intermediate placings were: (2) Wolfgang Manz, Germany; (3) Bernard D'Ascoli, France; (4) Daniel Blumenthal, U.S.; (5) Christopher O'Riley, U.S.

Accompanied by the Philharmonia Orchestra under the experienced conductorship of Sir Charles Groves, Hobson and Manz had played Rakhmaninov's Piano Concerto No. 2; D'Ascoli (who is blind) and Donohoe Beethoven's No. 4; Blumenthal, Beethoven's No. 2 and O'Riley, Schumann's concerto.

Had comparison been on the basis of the concertos only, it would have been impossible. Blumenthal's choice, an early work of Beethoven's, simply does not require the stamina and technical facility which Manz and Hobson had to show in choosing Rakhmaninov. I *loved Mr Blumenthal's performance*, with its deliberately restrained, finely *shaded* delivery, but the head of one *of our leading conservatories* dismissed it as "boring." If that is the greatest sin, then it is of course better to choose Rakhmaninov, which might irritate or enrage but could not bore.

How can one place such divergent tasks on a common measuring-rod? Then again the case of the blind pianist is peculiarly difficult. D'Ascoli's musical accomplishment in the *processes of learning and performance* is prodigious. But *I believe that in entering such* a competition a handicapped *performer is asking to be* assessed without reference to his handicap, and I would like to be sure that in giving him such a high place (despite some obvious mistakes in the concerto) the jury were not making a special allowance.

Do the placings matter so much—except to the pockets of the winners? One might paradoxically say that the rankings of the competitors, of whom 78 turned up to play in Leeds, is only the outward form of the event. Its deeper purpose is to find a way of distributing *many thousands of pounds in* prizes, and dozens of promised *concert engagements and* recordings, among a group of *gifted young performers who* all submit to a questionable sorting at the end. The frame of a competition serves to *attract a generous commercial* sponsor (Harvey's of Bristol), and to excite such a keen sporting interest that two successive *nights of peak-time television* have been allotted to it.

Behind it all is the organising genius of Fanny Waterman, whom no one remembered to thank in the speeches from the platform (she had to wait for tributes until a reception after). It was she and Marion Thorpe (then the Countess of Harewood) who founded the competition 21 years ago, and this year she was obliged because of Lord Boyle's illness to take on the chairmanship of the jury as well. On the whole of the country's musical scene, there is nothing in the way of "private enterprise" to compare with the Leeds competition.

After the event, however, it *is proper to consider its political* implications. This year there *were no entries from the Soviet* Union, Poland, or the German *Democratic Republic.* The record of the Russians and Poles *at world musical competitions* since the war is such that this abstention severely weakened the field and therefore objectively lessened the merit of winning: it was like an Olympic Games held under the same restriction.

That this was a deliberate boycott, led by the Russians, is suggested by the unexplained absence of the much-admired Russian pianist who had accepted membership of the jury—Victoria Postnikova, *herself a former Leeds finalist.* The diplomatic trouble made by the Russian authorities over the BBC engagement of her husband, the conductor Gennadi Rozhdestvensky, will be recalled. A Polish and an East German member of the jury did take part.

Over such competitions there must always hang another political question. Are jurors influenced by a desire to be "fair all round"? In a final like this would it even be possible—whatever the playing, within reasonable standards—to put either both British or both American competitors in the top two places? To obviate any suspicions the most drastic reform would be to institute the traditional custom of brass band competitions—the judges being sealed off, out of sight of the competitors, and ignorant of the order in which they are playing. (The brass bands also make all competitors play the same piece.) That would probably be unacceptable here, and the secrecy could certainly not be spread over two evenings. *But I would suggest one change:* at the end, the jury should not *be permitted to deliberate* together at all.

Indeed the rules make no mention of such deliberations, only of a casting of votes. Jurors should in future vote without speaking to *each other* using electronic devices if necessary and perhaps with simultaneous display of votes in front of the public like the judgest of Olympic skating. I suspect that this proposal will be met with cries of outrage as "not dignified." It might, indeed, be less dignified, but more reassuring.

*

In my notice on Saturday of Verdi's *Macbeth* at Leeds, an error in transmission led to the *omission of the word "not."* Because of my reservations about the opera itself, *my cool* reaction could *not* be ascribed only to the performance.

Sadler's Wells

The Taming of the Shrew

by CLEMENT CRISP

Sadler's Wells Royal Ballet's season ended on Saturday night *in a blaze of pugnacity* and melting charm when Marcia Haydee and Richard Cragun joined the resident cast in *The Taming of the Shrew*. The Kid *from Brazil offered a nifty left* hook, devilish speed, and her inimitable tungsten-steel fragility in the contest with Battling Cragun, who may be *her superior in guile, and able* to knock off triple *tours en l'air*, but is matched at every point by her reserves of energy and waif-like beauty.

The crowd might have felt cheated that what promised to be a knock-out bout turned into a love-affair, but somehow they didn't. They cheered, laughed, and had a glorious time. People tend to be sniffy about *Shrew*, but it delights the public without condescension, and what a joy it is to see the cast *of a ballet working with such* enthusiasm and pleasure in *their task.*

Of course, there are problems *with the work. The score sounds* like a chicken having a nervous *breakdown inside a harpsichord;* much of the dancing is so much choreographic *babble — the* night-dressed citizenry in the opening scene a prime example; the supporting roles are not characters but caricatures. But at the heart of the piece lies the portraits of Haydee and Cragun as Katherine and Petruchio, and these are the golden stuff of theatrical legend.

After 12 years and as many dozen performances, Haydee and Cragun make not one predictable or tired move. The characters are fresh, their sparring and their loving are still truthful; the old, constant magic of the theatre — our belief and total involvement in what we see—is superlatively there. Sustaining these interpretations is, first and foremost, a partnership unrivalled in the *world of dance today*, a matter of fine timing and trust, a *physical rapport which passes* beyond conventional balletic *double-work, so that we find* not two interpretations but a *single indivisible* and seemingly intuitive approach to playing. Not the product of telepathy, but of hard work, and tremendous.

There are no flaws in these performances; only fun and feeling that seem ever-fresh, from Haydee spitting on her *fists before another* assault on Cragun, or secreting sausages about her person with *an air of* dewy innocence, or cleaving the dance with her beautiful line, to Cragun's indefatigable good humour, his no less indefatigable physical bravura, and that integrity which touches *everything he does.*

Of course SWRB's artists *responeded to such playing.* Sherilyn Kennedy and David Ashmole *were sweet as Bianca* and Lucentio without being sickly; Denis Bonner had some merry moments in Gremio's song, like a canary mistaking itself for La Stupenda; Alain Dubreuil—a dramatic artist of exceptional range, for whose Can-Can dancer *La Boutique Fantasque* should be revived—was the best of Hortensios, not least when ablaze with pique as Lucentio kissed Bianca. The *entire* ensemble looked, *as it* has looked all season, in *excellent shape.*

Miklós Jancso at the NFT

The National Film Theatre has announced that the Hungarian film director Miklós Jancsó will be giving the Guardian Lecture on Sunday September 27 at 6.30 pm. Mr Jancsó will be interviewed by David Robinson and Mari Kuttna.

Channel Four appointment

Channel Four's head of presentation will be Pam Masters, for the past 3½ years responsible, as *one of* BBC Television's four presentation editors, for the presentation of BBC 1 and BBC 2.

'Music Marathon' aims to raise £100,000 for ENO

All night rock and roll and the chance to conduct an orchestra will be two of the features of the English National Opera's *Music Marathon* at the London Coliseum from Friday next, September 25 to Sunday, September 27.

Almost 1,000 performers will take part in 50 hours of non-stop musical activity in an *attempt* to raise £100,000 for the ENO Jubilee Appeal.

The *programme* will include drum majorettes, brass bands and *a game* of musical chairs for 200 people. A young singer's *competition offers* a £1,000 prize.

Aldwych

Hamlet

by ROSALIND CARNE

John Barton's direction draws out the tiniest shifts of thought and feeling, and the effect, in this production from Stratford, can be over-studied at times. Michael Pennington as the hero bears the brunt, for he lacks *the essential tragic stature.* He is sleek, almost swaggering, *more convincing in jokes and* self-deprecation than in fury *and suffering in public, playing* the actor, the famous lines in private too often become mere declamation. We are painfully aware that this prince lacks the mental force to produce the thoughts he utters; a hazard of the part perhaps, but one which could be better tackled. There is much technique here, but no depth, and Mr Pennington is *swamped* by the role.

However, the public Hamlet *can find expression in the play* scene where the gaudy splash *of the dumb show in the gloomy* court stabs at the King's creepy *insouciance. Derek Godfrey as* Claudius is a perfect, tough *manifestation of evil.* Despite his momentary panic, he *emerges dominant as he thrusts* himself, apparently fearless, onto his nephew's drawn sword.

Barbara Leigh-Hunt is equally good as Gertrude, especially in the closet scene when she tears at her son's fiercest passions. Here Mr Pen*nington comes close to showing* the necessary raw edge, for there is a strong sexual element in his performance. Elsewhere, he is very much the "mould of form" gone wrong—the Hamlet he is seen to be, rather than the Hamlet we known from his words.

Carol Royle's Ophelia deserves a mention here, but like *Mr* Pennington, she is better to look at than to listen to. Not so her father. Tony Church gives a moving, understated rendering of Polonius, capturing both humour and pathos. David Waller's Gravedigger also arouses an exceptional degree of ironic laughter.

These family affairs are worked out on a single bleak and sombre design. The epoch is vaguely 20th century, but *notably undefined*, except for the meandering soldiery who appear to have been left over from the Great War. Courtiers hover and observe the terrible events, led by Tom Wilkinson's superb Horatio. He is a marvellous actor with the capacity to plumb unutterable levels of *emotion.* He spends much of the time propping up *a downstage wall with his arms* crossed, a silent chorus to this *workmanlike but sadly uneven* production.

Nine world premieres at Dublin Festival

Nine world premieres will be *staged during the three week* Dublin Theatre Festival, *September 28 to October 17. Now in* its 23rd year, the Festival has *spread out, with its fringe* activities, to 16 theatres.

BFI chairmanship

The Minister for the Arts, Mr Paul Channon, has announced that the appointment of Sir Basil Engholf as chairman and governor of the British Film Institute will be extended until *December 31 1981* when he will retire from the governing body. His successor will be announced later.

Festival Hall

Mahler 9

by RICHARD JOSEPH

The Chicago Symphony Orch*estra* ended their extensive European tour at the Festival *Hall on Saturday night.* Despite the rigours of their itinerary, *the performance of Mahler's* Ninth Symphony, though not *immaculate*, confidently upheld the standard of precision and discipline this ensemble has established.

The finest section of the orchestra clearly remains the brass. Though it is possible to hear first desk horn and trombone players of comparable agility and reliability in other orchestras, Chicago's careful *integration of tone production* and technical means is un*rivalled.* Mahler's athletic brass writing was delivered with *impeccable intonation* and balance and, because the chords were so well-tuned and weighted, they sounded both louder and clearer than usual.

Though the woodwind have a similar consistency, they exhibit a less individual style. None of these principles, unfortunately, matches the personality and imagination of first trumpet Adolph Herseth, whose poised playing of the quiet, gentle solos at the end of the second movement lifted the character of the performance on to an altogether higher plane.

While the Chicago's evenness of method produces remarkable corporate results in the wind sections, it proves somewhat counter-productive for the strings. Some variety of vibrato and bow weight within each department would result in a deeper, more richly perspectived string sonority as a *whole.* This would have provided the final adagio of the *symphony with a warmer ambi*ence. Throughout the work, the leanly scored, quiet *string* writing was beautifully sounded, with a genuine feeling of chamber-musical attentiveness. Larger scaled, more demonstrative outbursts certainly would have benefited from a thicker, Central European string sound.

Sir Georg Solti steered this remarkably homogeneous group of musicians through the long outer movements of the symphony, with a tightly controlled and somewhat ner*vous sense of purpose.* Though he seemed reluctant to under*line Mahler's remarkable shifts* of harmony, he was particularly successful in balancing the contrapuntal lines of the composer's argument. Despite the energy of Solti's attack on the middle movements, the lightning shifts of sardonic and nostalgic moves were not registered. He obviously knew how this music should go, but not why.

New sponsorship linked to Cornhill Festival of British Music

Lloyds Bank is to sponsor a new National Composers' Award with a first prize of £1,000. *There is no age limit and entries* will be anonymous, so the award will attract established composers as well as newocmers.

There will also be a youth prize of £250 for the best entrant aged 30 or under who has had no previous comopsition published. The first award will be for an original organ piece.

The award is linked to the *first Cornhill Festival of British* Music to be held in the Cornhill area of the City of London *from* May 17 to 22, 1982. The winning *composition will be given its* world premiere during the festival by Gillian Weir at St Michael's, Cornhill.

The compositions, which must last for a minimum of six and a maximum of 10 minutes and must not have ben previously performed, should be of practical use either for recital or as a church voluntary. They may be of more than one movement.

The adjudicators will be Sir Lennox Berkeley, William Mathias, Gillian Weir and Allan Wicks.

The National Composers' Award and the Cornhill Festival *of British Music have been* devised by Jonathan Rennert, *director of music of St Michael's* Cornhill.

GOLF BY BEN WRIGHT AT WALTON HEATH

Easy win for U.S. raises a query

THE DEFENDING U.S. team duly ran out easy winners by 18½ points to 9½ over Europe at Walton Heath yesterday, to record their 20th victory in 24 Ryder Cup matches.

The British and Irish, two years ago, before they brought in golfers from the Continent of Europe, had succeeded in winning the match three times since the competition began as an exercise in international good will in 1927, and halved the match in historic fashion at Royal Birkdale in 1969.

Our three victories were in 1929, 1933 and 1957, which leads the cynical to observe that it would be far better if we brought in the rest of the world to bolster our team in the hope of making a truly effective challenge to the Americans.

If the Commonwealth were admitted, and they should be *immediately*, the current U.S. Open champion David Graham; European Open champion Graham Marsh; and Greg Norman of Australia would all presumably have been drafted into our team, and would have been mighty helpful.

Yesterday's singles matches over 18 holes, *involving all 12* members of each team, resulted in a 8-4 margin for the U.S.—just about right, as was the final tally—two to one in favour *of* the victors.

The damage had been done in *Saturday's fourballs* and foursome, which the Americans took seven-one *because* our supreme effort of the first day had taken too much out of players who were nowhere near tournament-toughened by U.S. *standards.*

By contrast the Americans shook off their *understandable* complacency and really got down to business to smash us.

It is *disappointing* as a Briton to report that the only winners on *Saturday* were the West German Bernhard Langer and the Spaniard Manuel Pinero.

The sad truth is that the British and Irish are still *"playing at"* the game, by the best U.S. professional *standards.*

To *assess first the* performances of the victors — Lee Trevino was *quite majestic in* strolling through to his four victories, but Larry Nelson, who extended his winning and unbeaten streak in two matches to nine, *was perhaps even more* impressive.

Tom Kite *was little behind* that pair, and Tom Watson and Nicklaus as a combination were daunting.

One of the unaccountable failures on the winning side was Hale Irwin, who was a *burden* to his partner, Ray Floyd, until the latter was *relieved of him on* Saturday afternoon, and promptly teamed with the Open champion Bill Rogers to beat perhaps the best European pair, Sandy Lyle and Mark James, with considerable ease.

For the losers, that pair must take tremendous credit for their two heroic victories on the first day, for they were desperately unlucky to lose by one hole on *Saturday morning* to Nelson and Kite when this most diminutive American pairing had the temerity to be round in a better ball score of 64, to win by a single hole only because Nelson holed sizeable birdie *putts of between* 15 and 20 ft to win the last two holes.

Langer and Pinero *were* out in 31 on Saturday morning to lay the foundations of the only victory of the day against Floyd and Irwin, and in a four-ball *par is about* 32. On that morning the Americans were able to *record two scores of 31 and one* of 32 for the opening nine holes.

Only Lyle and James stayed with Nelson and Kite, as both pairs were out in 32, *while* Floyd and Irwin were the failures on the U.S. side, taking 34 to the turn.

Nick Faldo and Sam Torrance took 37 to the turn against Trevino and Jerry Pate, who *were out* in 31, and this kind of thing just isn't good enough.

But to *carp further* is unworthy. Bernard Gallacher of Scotland and Des Smyth of Ireland performed their share of heroics, and in the finish Howard Clark achieved a measure of personal satisfaction *in beating Watson in his singles* match by four and three with a score that included no fewer than eight birdies.

He had few opportunities to prove himself yet again until the final afternoon.

The splendidly articulate *American captain* Dave Marr *paid worthy* tribute to Pinero, who beat Pate by four and two. The other winner was *Faldo*,

SOCCER BY TREVOR BAILEY

Winning week for Tottenham

IT HAS BEEN a happy week for Tottenham Hotspur. In a *splendid start* to their European campaign, they beat Ajax 3-1 *in the first leg in Amsterdam* and Everton 3-0 on Saturday, *giving them their first home* success.

Although they deserved to win at White Hart Lane, it must be admitted they were flattered by the margin. The opposition were disappointing in a scrappy, *petulant match* where flow was continually interrupted by unforced errors, deliberate fouls and resolute, sometimes abrasive, tackling.

It was *one of those* unsatisfying games where all goals stemmed from *set-piece* free kicks. Its unsatisfactory nature was noticeable from the temporary Press box which was perched immediately over the pen allocated to visiting supporters.

Admittedly Everton, after the first 15 minutes, provided little to enthuse over, but it did seem strange that anybody who spent so much time travelling from Liverpool for 90 minutes of football should spend 15 minutes *eating his pie and* chips before leaving 15 minutes early. And other fans were con*tinually on the move.*

My thoughts turned to the nearly-completed stand which dominates one touchline. It cost £4m and is due to open in December.

Without it the ground still holds more than 42,000—which may not have been sufficient in the glory, glory days—but it is unlikely to be filled in today's *era of declining attendances.* Last season average attendance was 32,000.

In these circumstances, was it wise to spend so much on a new stand at the risk of it becoming a white elephant, as occurred at Stamford Bridge?

Obviously expenditure on this scale represents a gamble but this one should pay off, not so much because of its additional seats and new banqueting suites but because of the game's big new money spinner, private boxes.

These are mainly bought by companies and help to supply the revenue needed to run a professional club. Gate receipts and lotteries alone are seldom sufficient.

There are 72 eight-seater boxes for hire at White Hart Lane, plus catering facilities. The boxes cost £10,000 a year for a three-year agreement and 31 have already been sold. If *a further* 10 to 15 go in the next two months, the club will *have recouped a considerable* amount of its initial outlay.

Many of the boxes have been taken up by national companies. In the present economic climate few local private concerns can afford the cost—higher than at most football grounds—but £10,000 is reasonable for a large *public* company, *especially as* it can claim tax relief on the advertising facilities carefully included in the written contract.

The snag with a box at Spurs, as distinct from one at Leicester *for example*, is the setting and lack of parking facilities. At *present only one* car space a box is allocated, but it is hoped to increase this eventually.

The guests and clients of box-holders will also probably arrive early for lunch and leave well *after* the match, so escaping the crowds and possibility of violence outside.

As well as boxes, *there is* a special club, for nearly 200 of the *more wealthy Spurs* supporters. Membership gives a seat *in the stand and* access to a special lounge and catering. *Cost* is £500 a person for this shortened season.

Tottenham are also seeking a major club *sponsor*, who for a fee of about £1m over three *years, would get shirt advertis*ing rights, numerous promotional activities and the stand named after them. Although the club would dearly love a British manufacturer, my hunch is the offer will eventually be taken up by an overseas company, probably Japanese.

While substantial commercial backing is essential, success on the pitch is even more vital and the present Spurs team should *continue to prosper.* They are entertaining, imaginative and effective when going forward, but less impressive at the back. But while they play the short pass and the first-time return beautifully, attempting five or six of these in succession in an overpopulated penalty area is rather too ambitious.

What to say to the TUC

BY SAMUEL BRITTAN

IF THE GOVERNMENT were ever able to open proper discussions with the Trades Union Congress — as distinct from the dialogue of the deaf which occurred at last August's unfortunate meeting of the National Economic Development Council — is there anything that could be usefully said?

Is there anything that ministers could offer to the TUC, which would neither finance a new round of inflation, nor involve a fruitless quest for pay norms or social contracts? I think there is. It would be some form of quantitative reassurance that if wage costs are held down, the result will be more employment and output rather than less.

Precedent

As any suggestion is sure to be misunderstood, let me emphasise that what is proposed is not a negotiation. Nor is it a relaxation of financial policy, conditional on union action. We should not repeat the unfortunate precedent of Mr Denis Healey's tax concession in his 1977 Budget, which was dependent on TUC acceptance of a wage norm, and which was partially clawed back when that acceptance was not forthcoming.

The present proposal is different. It is that the Government should make clear to the TUC (and to itself) that the financial policy to which it is in any case committed means that wage moderation would lead before too long to more real output and jobs.

The Government's monetary objectives are a means to an end, the control of total spending in the UK, which by definition is virtually the same thing as total income or the money value of national output. It is known to the statisticians by the off-putting title of Money GDP, but is capable of being explained as a national cash limit or target, as the Chancellor has occasionally done in public speeches.

The present and prospective rise of total spending or Money GDP, of about 10 to 12 per cent a year, is amply sufficient to sustain a major recovery in output and employment, if it is not swallowed up in higher wages and prices. One advantage of stating the GDP target explicitly, is that it would make very clear that, just as the Government is committed to preventing a rise in national spending totals to highly inflationary levels, it is equally committed to preventing a fall to levels which would mean slump or stagnation, even if wage cost increases were very low.

The point is important politically and not just intellectually. Some union leaders really do believe that low wage increases will reduce purchasing power and they can "reflate" the economy by pushing through a large wage round. Even among economists such as Prof. James Meade, who are far from being unreconstructed Keynesians, there are fears that the initial effects of wage restraint might be to reduce the growth of Money GDP. They worry that the stock of liquid assets regarded as money is "too Protean in its ability to change form" to be a sufficient guarantee against either inflation or deflation.

Fortunately ministers can bypass these technical arguments, which are several Nobel prizes away from being resolved. By committing itself to an explicit total spending or Money GDP target, the Government will be reassuring the public and union leaders that if its monetary calculations go wrong, wage restraint will still bring expansion rather than more recession.

Revised

I do not need to be told that figures of Money GDP are published two or three months after the quarter to which they refer and are frequently revised. Quarter-to-quarter certainty is not possible in this wicked world. All that can be reasonably undertaken relates to average movements over several quarters as they appear from records and tentative forecasts.

Of course, the main influences on union wage behaviour are labour market expectations, and political and power realities. No economic statement, other than complete surrender, is going to save the Government from having one or more hot winters between now and the election. But attempts to remove avoidable misunderstandings or obscurities are never a waste of time. No one can predict when the mood for genuine talks may arise: and it would be unforgiveable if when they did ministers were caught with nothing sensible to say.

France banishes its guillotine to the history museum

THE GUILLOTINE—one of the various ghoulish instruments devised for executing those miscreants sentenced to death —has received its coup de grace.

As a swift response to an electoral promise from President Mitterrand the French national assembly last week confined the weighted triangular blade, on its last downward propulsion, to the legal history museum.

France has effectively become the last Western European country to abolish the death penalty (only the Republic of Ireland retains it for a very limited category of murders).

The recent history of the abolitionist movement has revealed a twin humanitarian attack upon the state's instrument for enforcing the ultimate penal sanction. The architects of penal reform have been out and out abolitionists. For them the death penalty had no part in any civilised system of criminal justice, whatever the method of execution.

In their wake they found hesitant, if not reluctant supporters among those who persisted in their advocacy that capital punishment was a unique deterrent to serious crime, more particularly murder, but who had a profound distaste for the manner of execution.

Whether it was hanging, the firing squad, the guillotine, the gas chamber or the electric chair, each method has been examined and found wanting, when tested against the yardstick of the swift and human despatch of a condemned man or woman from this life.

It has been in great part the failure of the retentionists (or restorationists, as they might be called in countries that have done away with the death penalty) to provide a satisfactory alternative method of execution that has led to or confirmed total abolition. And it will undoubtedly be the key factor to the ultimate disappearance of the death penalty in those countries that continue to rely on this crudest and cruellist of punishments.

The irony of the guillotine was that it was conceived by 18th century French revolutionaries as the humane instrument of death in place of the torture inflicted by royal executioners.

As in pre-Victorian England, the French executed their commoners by variations on the theme of drawing and quartering the human frame. For many Victorians the guillotine was the symbol of continental barbarism and so hanging was much the preferred device.

But hanging in its unperfected form was often botched. It frequently had the unpleasant effect of producing a slow and painful death by strangulation. The proper placing of the knot on the rope such as to throw the head back and break the spinal chord did cause instantaneous death without facial contortion or body mutilation.

The Royal Commission on Capital Punishment in 1953 was so impressed with the professional method and speed of execution by hanging — the famous hangman Albert Pierrepoint testified to the Royal Commission to an average of nine seconds from the moment of the condemned man leaving his cell to death in the execution chamber next door — that it recommended retention of hanging in preference to any other device.

THE WEEK IN THE COURTS

BY JUSTINIAN

It specifically rejected the various American methods of the gas chamber or the electric chair, or even of death by lethal injection. A third of the states in the United States have not had the death penalty for some years. And for the last two decades there has been a moratorium on executions while a small band of abolitionists fought the constitutional issue of the death penalty through the courts.

After 12 years of litigation the ultimate objective was found to be unattainable, although the Supreme Court of the U.S. did strike down many states' legislation that discriminated in the process of sentencing black murderers to death.

The revival of the death penalty in some states—notably Florida, Oklahoma and Texas—was accompanied by a movement away from the use of the electric chair that in recent years evoked a growing public distaste, fed by tales of horrendous deaths recounted in the media by the select audience at executions.

Public executions were stopped in England in 1868 and in France in 1939, while other retentionist countries persist in public displays of executions, mainly of political offenders.

Intravenous injection of a suitable poison has been the device to which modern legislators have been turning in an attempt to stave off the growing movement towards abolition. But since such methods call for even greater expertise than either hanging or the electric chair there is no guarantee of swift and humane death to the condemned man.

Moreover the real experts—those with medical training—are refusing to participate, remaining faithful to their Hippocratic oath. The small band of persons involved in the administration of a lonesome penal faction ultimately forces the debate on to the wider plane of the death penalty itself.

While the general population remains devotedly attached to the retaliatory theory of punishment, the iner circle of parliamentarians, politicians and administrators of criminal justice combine eventually to defeat the popular view.

And in those countries that have long since dispensed with the ultimate penalty, little public support remains for its return. The historical evidence is that the more people are distanced from the use of the death penalty the less they want it back.

Few leading politicians in the western world now favour the death penalty. In July 1979, despite the PM's attachment to it, Parliament gave its largest majority of 119 votes for the continuation of abolition, temporarily introduced in 1965 and confirmed in 1969. While the topic appears annually on the Conservative Party conference agenda, it arouses less and less enthusiasm among individual MPs.

Some arguments advanced by abolitionists have indeed begun to convince even the most stubborn of their opponents. Two such arguments appeal to the most hard-hearted of such opponents. The families of those executed are now seen as much victims deserving sympathy as are relatives of the murdered person.

Both have to live with the memory of a loved one, the former with the added shame of conviction for the supreme crime, which they find hard to bear. So much so that they spend their waking hours devoted to proving a miscarriage of justice. Occasionally they succeed.

The celebrated case in 1976 of Christian Ranucci who was guillotined but whose innocence is now accepted by Frenchmen is just one example. In this country we have had our Timothy Evans. And the recent Confait case in which three young men were ultimately absolved of a murder in 1972, might have contributed significantly to the abolitionists' case had not Parliament shortly before taken the step to end hanging.

In the summer of 1980 the UN Congress on crime was poised to resolve that the death penalty should disappear throughout the world. In the event it prudently decided at that stage not to go so far in its advocacy.

But the French action has now given a fresh thrust to the international movement for passing the death sentence on capital punishment.

Piggott can take the honours on Hostess at Leicester

RACING

BY DOMINIC WIGAN

IT IS TYPICAL Monday fare on the flat today, with meetings at Leicester, Bath and Edinburgh. Lester Piggott will be at Leicester, primarily to ride Hostess, a bay filly by Be My Guest, in the Metrostore Nursery Handicap at 3.15.

The filly won her last race over the same distance at Brighton, and though the form may not have amounted to much, she is likely to have improved, and with 8 st 10 lbs to carry she may not be overtaxed to score here.

Cornish Heroine showed sufficient promise on her first appearance at Yarmouth on August 26 to suggest that she may be up to winning Division II of the Filbert Fillies Stakes (5.15).

Major Dick Hern, who has won many races over the years at Bath, may increase the tally with Besieged in the Sherston Stakes (4.30), although I doubt whether he will beat Bedford, trained by Ian Balding, who has also had numerous successes on this course.

Assuming that Walter Osborne is suited by soft ground, he ought not to be troubled to win the Tote All-Age Sprint Stakes (3.15) at Edinburgh. Certainly, a reproduction of form shown when winning the Rievaulx Handicap at York in July would make him something of a certainty here.

But, having said that, perhaps an even better proposition is Spring Lane in the Levenhall Maiden Stakes (4.15), judged on her performance when runner-up to Dijla at Chepstow at the end of last month.

New Continent, easy winner of an apprentices' handicap at Wolverhampton the other day, looks to be a sound proposition in the Haddington Stakes (4.45).

LEICESTER

3.15—Hostess*
5.15—Cornish Heroine

BATH

4.00—Nice Value
4.30—Bedford***

EDINBURGH

3.15—Walter Osborne
4.15—Spring Lane**
4.45—New Continent

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University. 9.08 For Schools, Colleges. 10.00 You and Me. 10.15-12.07 pm For Schools, Colleges. 12.30 News After Noon. 12.57 Regional News for England (except London). London and SE only: Financial Report, News Headlines. 1.00 Pebble Mill At One. 1.45 Bod. 2.01-3.00 For Schools, Colleges. 3.15 Songs of Praise from Belfast. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 All New Popeye Show. 4.35 Jigsaw. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Willo the Wisp.

5.40 News.
6.00 Nationwide (London and South East only).
6.25 Nationwide.
6.55 Angels.
7.20 Freebie and the Bean
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "Too Late the Hero" starring Michael Caine.
11.33 News Headlines.
11.35 A Little Night Music.

CYMRU/WALES—12.57-1.00 pm News of Wales 1.45-2.00 Dan Dmad. 6.00-6.25 Wales Today 6.55-7.20 Heddiw. 12.05 am News and Weather for Wales.

SCOTLAND—11.00-11.20 am and 12.10-12.30 pm For Schools 12.56-1.00 The Scottish News. 6.00-6.25 Reporting Scotland. 11.35-12.05 Aibisidh. 12.05 am News, Weather for Scotland.

NORTHERN IRELAND—12.57-1.00 pm Northern Ireland News. 3.53-3.55 Northern Ireland News. 6.00-6.25 Scene Around Six. 12.05 am News and Weather for Northern Ireland.

ENGLAND—6.00-6.25 pm Regional news magazines.

BBC 2

6.40-7.55 am Open University.
11.00-11.25 Play School.
4.50 pm Open University.
6.55 Paint!
7.20 Art Unlimited with George Melly.
7.25 Return Call to Brass Tacks.
7.30 News Summary.
7.35 All-Ireland Football Final.
8.05 Secret Army.
9.00 A Kick Up the Eighties.
9.30 Brass Tacks.
10.15 Darts.
10.45 Newsnight.
11.30 Darts.

LONDON

9.30 am Schools Programmes. 12.00 Chorlton and the Wheelies. 12.10 pm Rainbow. 12.30 Me and My Camera. 1.00 News with Peter Sissons, plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 The Riordans. 2.30 Monday Matinee: Rod Taylor in "Partizan." 4.15 Sylvester. 4.20 The Sooty Show. 4.45 Into the Labyrinth. 5.15 Botanic Man with David Bellamy.

5.45 News.
6.00 Thames News with Andrew Gardner and Rita Carter.
6.35 Crossroads.
7.00 The Krypton Factor: The Grand Final.
7.30 Coronation Street.
8.00 Never the Twain: Donald Sinden, Windsor Davies in "A Night at the Opera."
8.30 Jonathan Dimbleby: In Evidence.
9.00 "East of Eden" starring Timothy Bottoms, Jane Seymour, Bruce Boxleitner.
10.00 News.
10.30 "East of Eden" (continued).
11.20 The Monte Carlo Show: Host Patrick Wayne introduces Cleo Laine, Larry Adler and Phyllis Diller.
12.20 am Close: Sit Up and Listen with Footballer Trevor Brooking.

All IBA Regions as London except at the following times:

ANGLIA

12.30 pm Botanic Man. 1.20 Anglia News 2.00 Monday Film Matinee. "The Sundowners," starring Deborah Kerr, Robert Mitchum and Peter Ustinov. 5.15 Bless Me, Father. 6.00 About Anglia. 6.20 Survival. 11.15 Anglia Late News. 11.20 Hammer House of Horror. 12.20 am Reflection.

ATV

12.30 pm Botanic Man 1.20 ATV News 2.00 The Monday Matinee. 5.15 Joe 90 6.00 ATV Today. 12.00 ATV News 12.05 am Something Different.

BORDER

12.30 pm Botanic Man. 1.20 Border News 2.30 Matinee. "Bachelor of Hearts" 5.15 Survival 6.00 Lookaround Monday. 6.15 The Spinners and Sport 6.45 The Pet Show. 11.15 Rugby League Action: Hull Kingston Rovers v St. Helens. 12.00 Border News Summary.

CHANNEL

12.30 pm Botanic Man. 1.20 Channel Lunchtime News, What's On Where and Weather. 2.00 The Monday Matinee: "I'll Be Your Sweetheart" 3.55 Cartoontime. 5.15 Happy Days. 6.00 Channel Report. 6.25 School Report. 6.35 Ladies First. 10.28 Channel Late News. 11.15 Hagen. 12.10 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 12.30 pm Botanic Man. 1.20 North News. †2.00 Monday Matinee: "A Tale of Two Cities," starring Dirk Bogarde, Dorothy Tutin, Cecil Parker and Stephen Murray. 5.15 Mork and Mindy. 6.00 North Tonight. 6.35 Survival. 11.25 I Am The Blues. 12.25 am North Headlines.

GRANADA

12.30 pm Botanic Man. 1.20 Granada Reports. 2.00 Monday Matinee: "Julius Caesar." 5.15 The Flintstones. 6.00 Granada Reports. 11.30 RL Action: Hull Kingston Rovers v St. Helens. 12.05 am Love Thy Neighbour.

HTV

12.30 pm Botanic Man 1.20 HTV News. 2.00 Ireland is a Festival. 2.15 "Two Rode Together," starring James Stewart, Richard Widmark and Shirley Jones. 4.45 Bailey's Bird. 5.15 The Flintstones. 6.00 Report West. 10.28 HTV News. 11.15 Hammer House of Horror.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Flaibalam. 1.30-2.00 Hamddan. 4.45-5.15 Sôr. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

12.30 pm The Botanic Man. 1.20 News Headlines and Road Report. 12.00 Monday Matinee: "The Girl In The Headlines," staring Ian Hendry. 3.45 Survival 5.15 Emmerdale Farm 6.00 Scotland Today. 6.40 Crime Desk. 11.25 Late Call. 11.30 Hammer House of Horror.

SOUTHERN

12.30 pm Botanic Man. 1.20 Southern News. 2.00 Houseparty. 2.25 "A Circle of Children," starring Jane Alexander. 5.15 Happy Days. 6.00 Day By Day including Southsport. 11.20 Hagen.

TYNE TEES

9.20 am The Good Word 9.25 North-East News. 12.30 pm Botanic Man. 1.20 North-East News and Lookaround. 2.00 Monday Matinee. "The Healers," starring John Forsythe. 3.45 Stars On Ice. 5.15 Happy Days. 6.00 North-East News 6.02 Sale of the Century. 6.30 Northern Life 10.30 North East News. 11.15 Randy Crawford in Concert. 11.45 What Sort of People?

ULSTER

12.30 pm Botanic Man 1.20 Lunchtime. 2.30 Monday Matinee: "Blue Peter," starring Mike Merriworth. 4.13 Ulster News. 5.15 Joe 90 6.00 Good Evening Ulster. 6.30 Give Us A Clue. 10.29 Ulster Weather. 11.20 Bedtime.

WESTWARD

12.30 pm Botanic Man. 1.20 Westward News Headlines. †2.00 The Monday Matinee: "I'll Be Your Sweetheart," starring Margaret Lockwood. 3.55 Gus Honeybun's Birthdays. 3.57 Cartoon Time. 5.15 Happy Days. 6.00 Westward Diary. 10.32 Westward Late News. 11.20 Hagen. 12.15 am Faith For Life. 12.20 West Country Weather and Shipping Forecast.

YORKSHIRE

12.30 pm Botanic Man. 1.20 Calendar News. 2.00 Bygones. 2.30 Monday Matinee: "Search for the Gods," 5.15 Survival. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 Give Us A Clue. 11.15 RL Action: Hull Kingston Rovers v St Helens.

(S) Stereophonic broadcast
‡ Medium Wave

Radio Wavelengths

1 1053kHz/285m 1089kHz/275m	3 1215kHz/247m & 90-92.5vhf stereo	BBC Radio London 1458kHz, 206m & 94.9vhf
2 693kHz/433m 909kHz/330m & 88-91vhf stereo	4 200kHz/1500m & 92-95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf
		London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Steve Wright. 4.30 Peter Powell. 7.00 Stayin' Alive. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Steve Jones (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News and Sport. 6.00 David Symonds with Much More Music (S). 8.00 Folk On 2 (S). 9.00 Humphrey Lyttleton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 Pop Score. 10.30 Star Sound. 11.00 Peter Clayton, with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

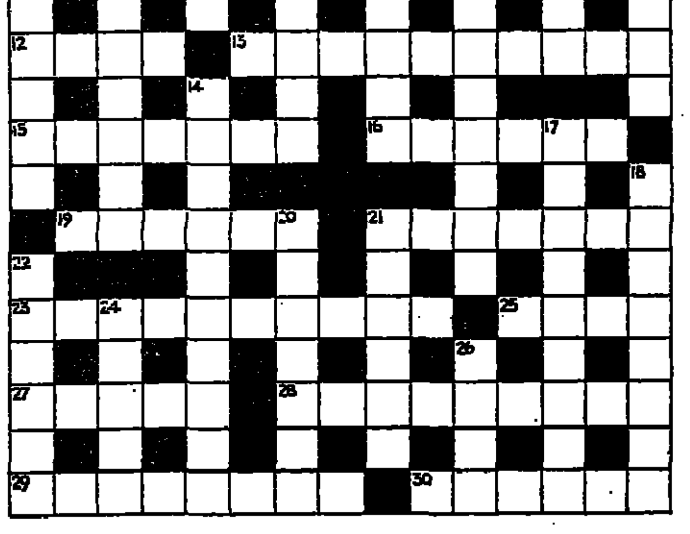
6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Brahms (S). 10.00 Eduard Melkus Ensemble (S). 11.50 Hamish Milne piano recital (S). 12.05 pm Midday Concert part 1: Brahms, Strauss (S). 1.00 News. 1.05 Midday Concert Part 2: Beethoven (S). 1.40 Saint-Saens oboe and piano sonata (S). 1.55 Matinee Musicale (S). 2.55 New Records (S). 3.50 Leeds 81 (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Once Paumanok (S). 7.30 A Salute to Paul Sacher concert direct from Basle, part 1 (S). 8.30 The Festival Scene in America. 8.50 Concert, part 2 (S). 9.30 C. P. E. Bach (S). 10.00 Conversations with Artists: Photographer Norman Parkinson talks to Edward Lucie-Smith. 10.30 Jazz In Britain (S). 11.00 News. 11.05-11.15 Byrd (S).

VHF Only—Open University—5.55-6.55 am and 11.15-11.55 pm.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.35 The Week On 4. 8.45 Talking To Animals by Barbara Woodhouse. 9.00 News. 9.05 Start The Week. 10.00 News. 10.02 Enterprise. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Down Your Way. 11.50 Letter From . . . 12.00 News. 12.02 pm You and Yours. 12.27 Joke By Joke . . . by Private Eye (S). 12.55 Weather; Programme News. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 News. 3.02 Afternoon Theatre. 4.35 Fritz On Monday. 4.45 Wodehouse. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather; Programme News. 6.00 News, including Financial Report. 6.30 I'm Sorry, I Haven't A Clue (S). 7.00 News. 7.05 The Archers. 7.20 Start The Week. 8.00 The Monday Play (S). 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Music At Night. 12.00 News.

F.T. CROSSWORD PUZZLE No. 4,677



ACROSS

1 Railway hams minced up for composer (6)
4 Acrobat from the south making a trip (8)
10 Flicks lady with the lamp (9)
11 Arrange to learn (3, 2)
12 Henry ought to appear in "Ring Round the Moon" (4)
13 Courtly game sounds child's play (4, 6)
15 Blast what football supporters eat (7)
16 Failure in making cake (6)
19 Board having its ups and downs (3-3)
21 Duck with beer leads to trouble (7)
23 Topping eucalyptus in difficulties (2, 1, 3, 4)
25 A lot of money surfacing on material (4)
27 Fathead isn't difficult to see (5)
28 Fancy having to give details (9)
29 Thanks master by chance for shrub (8)
30 Show soldiers' joint, perhaps (6)

DOWN

1 Dismiss sweep (5, 3)
2 Miss Wood is fair (3, 6)
3 Choice of letters at start of day (4)
5 Draw a bit of light from part of roof (3-4)
6 Could your first fair be wonderful (6, 4)
7 The French fashion to spill the beans (3, 2)
8 Soldiers' attitude to rest (6)
9 Promotional device a soldier may have up his sleeve (6)
14 Permit assembly to bear scrutiny (4, 6)
17 Elected a friend from Northern Ireland with no life (9)
18 Sad beauty heard in plant (8)
20 See, maybe it's news (7)
21 Home before following sailor (6)
22 Blow this for a bar! (6)
24 A vote one doctor turns up in principle (5)
26 Drink for a fire-raiser (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FINANCIAL TIMES

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INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

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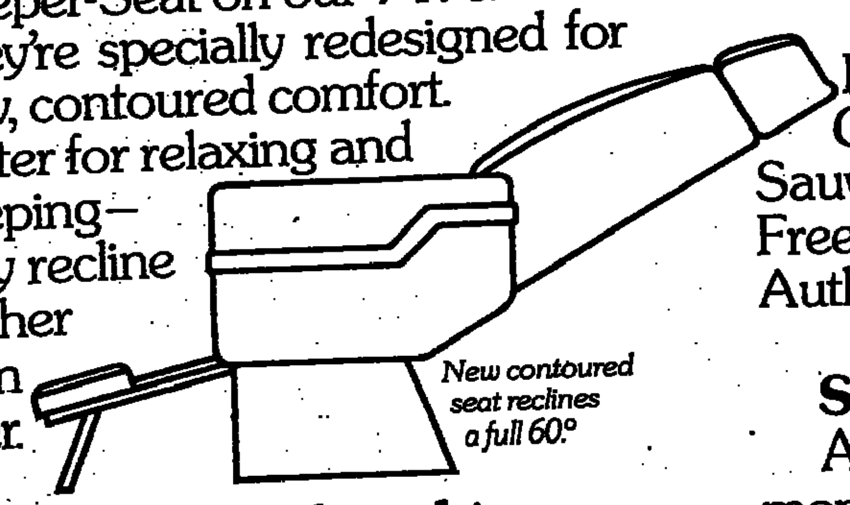

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Monday September 21 1981

France plays for time

BOTH the French and the West Germans appear to have agreed over the weekend on further postponement of the long-awaited realignment of parities within the European Monetary System. Instead, the French have produced a stop-gap: the Government has decided to boost money market interest rates and to prevent importers and exporters speculating against the franc in the forward exchange market. It seems neither an adequate nor a logical answer to the differences in economic policy which now divide this European enclave of fixed exchange rates.

Sentiment

As so often before, it is a shift in sentiment about the dollar which has created exchange rate turbulence in Europe. The waning credibility of President Reagan's economic policies is starting to cause a shift in attitude within the foreign exchange market whereby high interest rates no longer signal economic resolve but begin to signal loss of economic control. The same shift was evident last week in the foreign exchange market's negative reaction to the about-turn in the interest rate policy of the Bank of England.

And, as so often before, the D-Mark emerges as the alternative haven for funds. The German currency rose from $0.41 to $0.44 last week, showing up the lesser attraction of the French franc and the Belgian franc within the EMS, and of the Pound Sterling outside. The German currency's appeal is founded upon its high level of real interest rates, the marked improvement in the German current account deficit in the second quarter, and self-fulfilling hints from the Bundesbank that a D-Mark revaluation would be desirable.

Ruled out

Both West Germany and France agree that anti-dollar, pro-D-Mark sentiment needs to be allowed to cool before a new set of EMS parities can be sensibly arrived at. Yet there are scant signs that the French accept the idea of any realignment. M Jacques Delors, the French Finance Minister, has consistently ruled out a French franc devaluation and has, indeed, risked pegging his reputation to the status quo rather as Harold Wilson did during the build-up to the devaluation of sterling in 1967.

The divisive pressures within the EMS may have emerged they are apt to do in the volatile suddenly and excessively—as currency markets. But the underlying reasons for these pressures have been lurking within the EMS since the French election. Leaving aside differences in national economic statistics, the EMS is now being asked to contain two radically different approaches to economic management. European finance ministers were unable last week to agree over EEC economic policy guidelines for the next five years. Belgium, France and Denmark all objected to a draft policy document which reaffirmed the Community's faith in monetary policies. It was this shared faith which characterised the European currency bloc till recently.

Focus

Just as a weak dollar showed up the need for a European Monetary System in 1977-78, so the new focus on the D-Mark comes as a reminder of how little progress has been made in consolidating the EMS since its start in 1979. The ECU reserve asset—the basket of currencies which was supposed to offer international investors and central banks an alternative refuge to individual currencies—has failed to emerge.

But the divergence of economic policies within the EMS is now the main problem, and France's palliative measures do nothing to solve it. Within the context of a fixed exchange rate system it is logical for a country bent upon reflation to devalue its currency against that of a major trading partner bent on cutting Government spending and containing inflation. France's attempt to shore up her currency with higher interest rates will certainly do little for French competitivity in markets abroad or for business activity at home.

Paradise of the North in crisis

SCANDINAVIA, since before the war, has been a byword for wealth and welfare—neat, orderly, rich and run without political and social fisticuffs. That image has started to crack under the impact of world recession, the accompanying inflation, and—paradoxically—the windfall of Norway's offshore oil.

This month the defeat of the Norwegian Labour Party and the devaluation of the Swedish krona demonstrated that the old ways are changing. In Sweden, the Socialists were ousted as long as five years ago, victims of the growing malaise caused by the high cost to the taxpayer of a consistently egalitarian policy. The outcome of the Norwegian election shows a similar pattern.

Foundation

The Swedish devaluation was an implicit confession by the ill-assorted anti-Socialist coalition of Mr Thorbjorn Falldin that, so far at least, his policies have not worked. Can Mr Kaare Willoch, Norway's Conservative Premier-designate do better? Politically, he will have a stronger foundation than Mr Falldin: on economic issues the three anti-socialist parties in Norway are less disunited than their Swedish counterparts. Their main difference is on the right to abortion, an explosive issue, but economically not a significant one.

Norway's oil ought to be an advantage, provided Mr Willoch can resist the temptation to use it to boost consumption with patently inflationary results. But, like Mr Falldin, he may find it difficult to break with the policies that served both countries well until the world environment changed so drastically in the 1970s.

Some disturbing parallels exist between the present economic situations of the two states (as well as that of Denmark which remains under Socialist rule). Sweden and Norway have shown the fastest growth of public consumption within western Europe during the past decade: their tax ratios are among the highest, together with that of the equally troubled Netherlands: each urgently needs to resuscitate its manufacturing industry in order to stabilise and even roll back a grossly swollen public sector.

In Sweden the coalition Government's promises to curb spending have signally failed to prevent the public sector deficit from growing to over 12 per cent of GDP. In Norway, Labour has used the state income from oil to subsidise uneconomic farms, fishermen and lame-duck industries to provide regional employment.

It can be no coincidence that prices in both countries have been rising faster than the OECD average. Mr Falldin's devaluation package included a price freeze to the end of this year. In Norway the Labour Government froze prices five weeks before the election.

In retrospect it can be seen that the Swedish non-Socialists made two initial mistakes. They wore themselves out in an internecine squabble about nuclear power; and they chose to continue the Social Democrats' attempt to bridge recession by pouring money into declining industries. Above all, they ducked a clash with the trade union movement to curb wage demands and reallocate resources to investment.

When they devalued, they coupled the measure, in itself a reasonable step, with a reduction of Value Added Tax, a measure calculated to encourage consumption. There was a technical reason: the cut will keep the Consumer Price Index below the threshold where wage increases are triggered. But a braver government would have gone for the root of the evil rather than its symptoms.

Lesson

The lesson for Mr Willoch is that half-measures will not work. He has undertaken to reduce both personal and corporate taxes, to thin out the jungle of bureaucratic regulations, and to give priority to improving manufacturing industry's productivity and competitiveness. He has not explained how in an economy accustomed to near full employment he will prevent the offshore oil industry, the leader in wage bargaining, from stimulating a dangerous inflationary wage push. We do not know whether he has the right blend of toughness and persuasion to deal successfully with the trade unions.

Political confrontation is alien to modern Scandinavia, and root and branch measures are hard to put across in a climate where affluence is obvious and malaise has not turned into overt crisis. But the small welfare states need firm political leadership to adjust to their new situation. Old habits die hard.

EGYPT AND THE FUTURE

Sadat tightens his grip

By Anthony McDermott in Cairo

The strain of the present crisis is showing on the face of Anwar Sadat, who has been the political and physical embodiment of Egypt and Egypt's interests. The recent arrests, his attacks on opposing politicians and journalists, plus the increasing challenge of Moslem fundamentalism, have raised questions about the future stability of the regime. But Sadat retains the loyalty of the army, and oil revenues and other income are keeping Egypt afloat.

"Do not fear that we shall be having a Khomeini here."

"Egypt is the island of stability in a very troubled area."

THESE are but two of many statements made by President Anwar Sadat during the past few weeks, which have been some of the most unsettled and surprising since he succeeded Nasser after his death in September 1970.

It is a curious crisis. Egypt has always had its share of tensions. For years there was the struggle with Israel. Its economy and cities — submerged under the enormous weight of its population — have been growing at 100,000 people a month. From time to time, but infrequently compared with other Arab countries, there have been bouts of political unrest. Strains between Moslems and Christian Copts, who make up about 10 per cent of the population of 44m, have erupted on occasions.

But under the largely benevolent but very firm rule of Mr Sadat, whose carefully polished image has been an established feature of the international scene since his visit to Jerusalem in November 1977, Egypt has come across if not quite as an "island of stability" then at least as a country given only occasionally to outbursts of violence and countrywide chaos, thanks largely to the seemingly endless patience of its people.

In this context Mr Sadat's current problems seem very much his own creation, even if the regular themes — religious tensions, an unsuccessful party system, economic troubles, and isolation in the Arab world — are there as they always have been.

Mr Sadat is unrepentant about his clampdown earlier this month. He is confident that his ubiquitous domestic intelligence service will keep him fully informed of further opposition.

Meanwhile, the armed forces are with him, and ordinary Egyptians tend to go along with his decisions as long as life does not become too expensive. But he clearly intends to govern with a far firmer hand than has been the case in the past few years.

Over the last few months there were several pointers to Mr Sadat's present behaviour. Above all, there were the riots in June between Moslems and Copts in the Cairo suburb of Al-Zawiya Al-Hamra, in which at least 20 people were killed. But until this month Mr Sadat bided his time.

Then came, what Mr Sadat himself has called a "purge" and "electric shock"—waves of arrests which have accounted for a total of about 1,700 Moslem "extremists," Copts, some straightforward criminals, and also academics, lawyers, politicians and journalists who can be clearly categorised as political opponents.

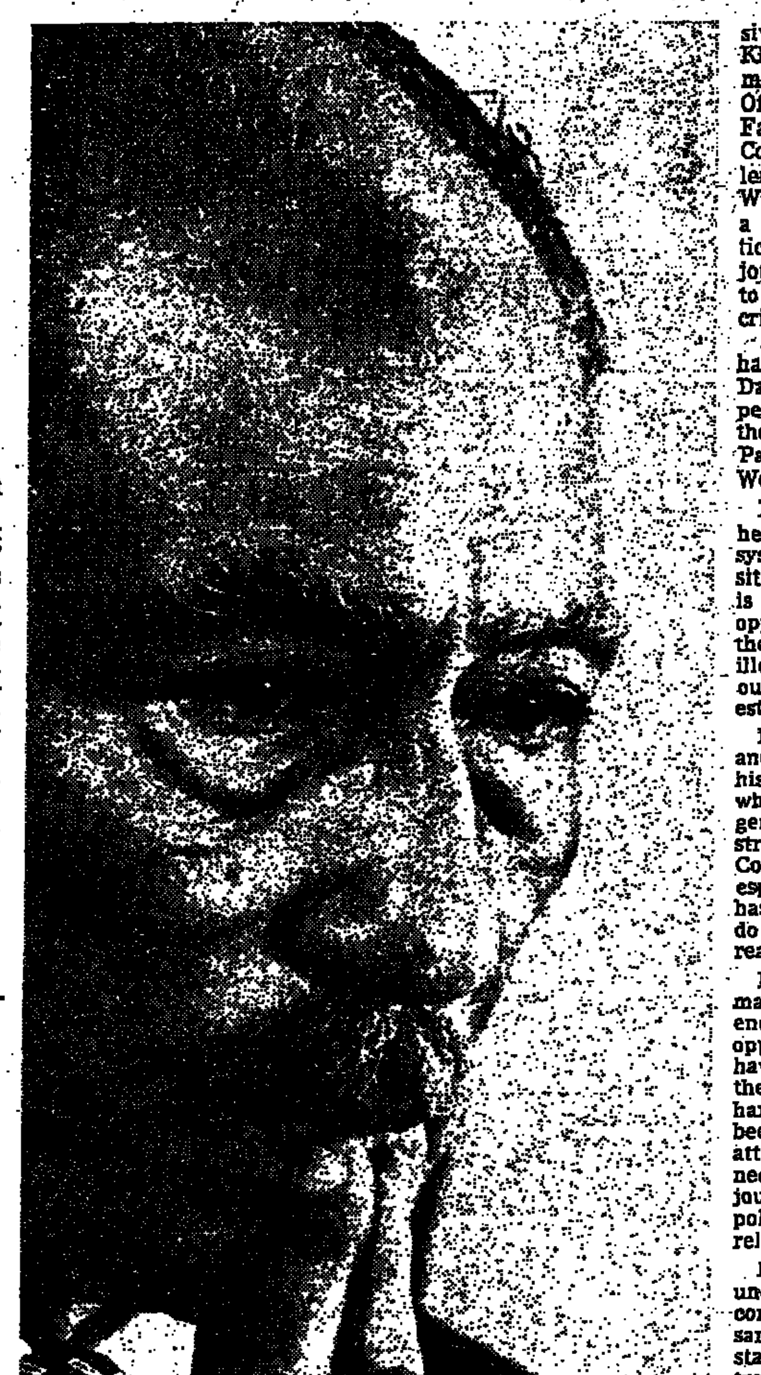
All this has prompted questions about whether Egypt is on the brink of serious political instability—in short an Egyptian version of what happened in Iran. The concern has been increased because of Mr Sadat's unabashed commitment to the West, enshrined in his willingness to offer military facilities to the U.S. Rapid Deployment Force or to European allies.

Concern has also been expressed overseas at the arrest of Mr Mohammed Hasanein Heykal and Mr Sadat's repeated attacks on him. The former confidant of Nasser, arguably the Arab world's foremost journalist, whose articles and books have appeared frequently in Europe and the U.S., was for many years editor of Al-Ahram, Egypt's most prestigious daily. Now he sits in Torah jail, south of Cairo, with Mr Sadat's threat "I will show no mercy," hanging over him.

Stung by the foreign criticism, Mr Sadat summoned the foreign Press to his home village of Mit Abul-Kom in the Delta for an angry Press conference. There he accused his audience of distortion and failure to understand that Egypt had both democracy and stability.

There have also been accusations of East bloc plots culminating in the expulsion of nine Soviet diplomats, including the Ambassador, journalists and 1,000 or so Soviet experts involved in civilian projects here, and the reduction of the Soviet embassy's overall size.

The first and crucial aspect of the crisis to be remembered is that it is highly personalised. It has shown in Mr Sadat's own features. The relaxed mien for Washington, where he met *President Reagan in August, eyes* crinkling with pleasure as the two leaders shared the same dais, has been replaced by a gaunter man, whose tension shows itself in the accentuation of his high prominent cheek bones, his waving of his notes before the television cameras, and his shrill "You have no right to ask that question" and "At other times I would have shot him" to foreign newsmen.



Hugh Routledge

Yet the timing of his actions still remains a puzzle. One factor is undoubtedly the deadline of April next year, when Israel is scheduled under the terms of the peace treaty to complete its final withdrawal from Sinai.

Mr Sadat is determined that nothing should stand in the way of progress towards that goal. Indeed, it is ironical that his clampdown may well have caused some doubts in Israel, whose Chief of Staff, Lieutenant-General Raphael Eytan, caused anger here by remarking: "There are troubles in Egypt and it is possible that President Sadat will go and everything will come to an end." Thus in Mr Sadat's view it was far better to clamp down—in characteristically Sadatian fashion—way ahead of time rather than too late.

Politically, he has become increasingly concerned that the opposition was developing into something stronger than a loose alliance—more of a National Front.

By the opposition is meant not just the officially permitted SLP, which is headed by Mr Ibrahim Shukri and whose deputy leader is now in jail, but also the National Progressive Unionists, headed by Mr Khaled Mohieddin, a former member of the original Free Officers who overthrew King Farouk in 1952, together with Communists, Nasserites, Moslem Brothers and al-Tehaf al-Watani (the national coalition), a group of ex-ministers, politicians, businessmen and journalists who have from time to time signed statements criticising official policies.

Among their criticisms have been some of the Camp David agreements and the peace treaty, in particular those portions dealing with Palestinian autonomy on the West Bank and the Gaza Strip.

Mr Sadat's argument is that he has set up a multi-party system with a permitted opposition, but that this opposition is irresponsible and that other opposition, movements except the Progressive Unionists are illegitimate because they lie outside the system which he established.

Perhaps the most pressing and genuine reason for taking his measures—and the one which has received most genuine approval — was the strife between Moslems and Copts. Moslem extremism, especially among the young, has been gaining ground. Copts do feel threatened, with some reason.

Mr Sadat, even though he may have given them unwitting encouragement through his opposition to Communism, may have been justified in hitting the Moslem fundamentalists hard. Where his argument has been weakest is the continuous attempt to build up a firm connection between the writings of journalists and the actions of politicians and the instigation of religious strife.

In the short term Egypt is undoubtedly under tighter control, but this is not necessarily to be equated with greater stability. Lorries full of riot troops of the Central Security Organisation equipped with visored helmets and staves are much more in evidence than before. Still the atmosphere stops short of that during Nasser's era when fear of the knock on the door late at night and of being overheard were paramount.

Mr Sadat has undoubtedly done considerable damage to his own carefully-nurtured image of liberality and even international statesmanship. The dangers to the regime lie in several directions but are not overwhelming.

The first is that the Moslem brothers and their more fanatical hangers-on could well be driven underground to emerge later with a vengeance.

At a conference in London *last June of the Royal Institute of International Affairs*, a commentator, talking about Egypt, summed up perhaps the most dangerous threat by saying: "For those who wish to prophesy the rise and fall of political orders and regimes . . . there is a way in which Islam, broadly conceived, can matter. As the open door economy digs a deeper ditch than ever between the poor and the rich, between those living on fixed incomes and those with the daring, the foreign connections who participate in the 'windfall economy' of speculation, it also risks digging a culturally offensive ditch between the glamorous ways of the 'new' economy and those of the 'traditional' one that lives by its side."

The second is that the range of arrests may have created such bitterness and so weakened the legal opposition that unless he comes up with a completely new structure (thereby admitting failure), the comparative freedom of politics of the last few years may have to be replaced by something closer to firm single party rule, thereby creating antagonisms.

What has to be borne in mind, however, is that Mr Sadat has an almost supernatural gift for survival. Somehow he has managed to get by—whether plotting during the Second World War unsuccessfully to get the Egyptian Chief of Staff spirited away by plane to join the Axis forces, to more modern times; outwitting the Left and Nasserites in their challenge to him in May 1971; the expulsion of 17,000 Soviet military advisers in July 1972; the food riots in January 1977; and the Arab world's reaction to the visit to Jerusalem in November of the same year.

But he has far from put the crisis behind him, for the students have still to return to the Universities early next month and could well stage demonstrations because of the measures against the Moslem Brothers, who have a strong following on the campuses. And there are the trials of the 1,536 officially arrested, with the inevitable outpouring of evidence, counter-evidence and rumour.

How much impact this has all made will make on the ordinary Egyptian is hard to calculate. But it can be said that he (or she) tends to be conservative and to associate himself with the existing authority in the land. The overriding concern is the cost of day-to-day living. Here Egypt, buttressed by oil earnings and other income has enough to keep going for the moment.

Yet there can be little doubt that the past few weeks have diminished Sadat's international standing and led people at home to question the extent to which "the sovereignty of the law," as he repeatedly calls it, operates.

In his last television address, delivered much as the "father of the nation" style he devoted much time to explaining "why today we must have a pause." The signs are that this pause is being used to draw up stern rules, as he said, "against indiscipline in streets, in the office, in the university, in the school, in the public sector and in the private sector."

The puzzle still remains whether this was the aim all along or whether he inadvertantly set in motion a train of events he has yet to bring properly under control.

MEN AND MATTERS

Points of disagreement

The Board of the Romney Hythe and Dymchurch Railway Company, which operates a miniature scheduled service public railway on 15-inch gauge tracks in Kent, is under attack from an appropriately miniature shareholders' action group which is worried that the railway may be about to move lock, stock and barrel, away from its home and perhaps to the Dart Valley in Devon.

The RH and DR has made no secret of its concern that more money must be found to pay for the investment and staff which the 14-mile-long railway needs to carry its 300,000 passengers a year. Moving to another area might be one answer, managing director John Snell readily concedes. It might be Dart Valley: certainly that has been openly considered. "We have," he says, "made it very plain over the last 18 months what we are doing." There is no question, he says, of a decision of that magnitude being taken without its being put before a meeting of shareholders.

—Last year, the company—which went public in 1976—made pre-tax profits of £11,500. This year, there may be no profits at all. Something over £50,000 is in fact needed each year to keep RH and DR on the rails.

One place to turn for that money might be to public funds. But while Snell may look enviously upon the cash attracted by his counterparts in North Wales and elsewhere, his own railway is not located in an assisted area, and so does not qualify for central government help.

For the past year or so, Snell has been talking with the local Shepway District Council about the possibility of aid, and he is still talking. Such negotiations invariably take time, he says, and they are still very much in progress. Meanwhile, the company is by no means on its uppers. It had £60,000 in the bank last year, and has yet to borrow substantially against its £500,000 or so of assets.

As a former London Transport and British Rail man, Snell is no stranger to the controversy which attends almost any policy decision where transport is concerned. What he now faces on his home turf is a group of dissidents canvassing support for a campaign which they say may lead to a call for an extraordinary general meeting to consider a vote of no confidence in the directors.

The dissidents have written to the company's 500 or so shareholders, and claim that of 40 replies so far received, 90 per cent are in favour. "If we get 15 to 20 per cent in our favour," says the group member Simon Foulks, "we will discuss our next move."

Snell rejects the dissidents as an insubstantial and unnecessary suspicious element. But they have, he concedes, touched a raw nerve. For such fuss as they do generate, he says, can do little good for the Board's efforts to secure support for the railway under its present local authority.

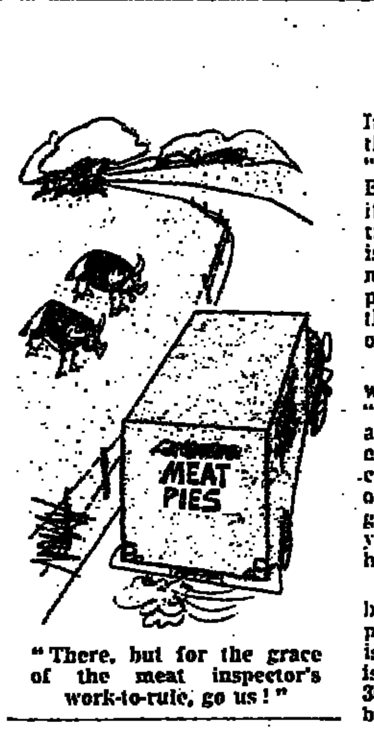
Scout's honour

When it comes to rubbing together two sticks, cooking a pork sausage fry-up over a camp-fire, or just maintaining cleanliness in thought word and deed, Major General Michael Walsh is your man. After retiring this year as director of Army training, he has been named as Chief Scout Designate to succeed Sir William Gladstone in 1982.

Walsh takes over next year as only the sixth Chief Scout since the movement—or Movement, as the scouts prefer to call it—was founded in Britain 75 years ago. The first of that hearty line was, of course, Lord Baden-Powell, who kept the camp fires burning for more than three decades. The present incumbent is the great-grandson of the four-times Prime Minister William Gladstone and was headmaster of Lancing until 1969 before taking over as Chief Scout in 1972.

Walsh will assume the job at a particularly demanding time, since 1982 is the Year of the Scout and he will be much in demand for the various celebrations to mark the 75th anniversary.

If any of the 657,143 scouts in the United Kingdom and overseas branches of the Scout Association should ever be tempted to shirk their duties, they should be warned. As holder of a private pilot's licence, president of the Army Parachuting Association and past president of the Army Boxing Association, Walsh sounds eminently well-placed to root out the slackers and show them the error of their ways.



"There, but for the grace of the meat inspector's work-to-rule, go us!"

Foreign bodies

United States soldiers airlifted to West Germany for the annual "Reforger" military support exercises have been equipped with a breezy little booklet advising them on U and non-U aspects of local etiquette. The 7,000 members of the 4th Infantry Division are reminded that they will be making "love, not war" in Germany. But they must be careful about it. A cautionary picture of troopie wearing a horned hat is captioned "Whoopie, now's my chance to rape, burn and pillage Germany!" "Wrong," the guide continues, "you ain't on your own block."

This breezy tone continues to warn against faux-pas like "violent stuff: rape, homicide, and things that have a bad effect on the German community, drug smuggling for one. Oh, and "don't get grabby with the frauleins, or you'll see just how fast German hospitality goes stale."

What with all this wet-blanket attitude towards minor pleasures, the average soldier is no doubt wondering what he is there for at all. "In the last 30 years the Soviets have beaten the snot out of the satellite nations it controls or wants to control," explains the text. "Reforger is the time to show he world what kinda stuff American soldiers are made of, and that your suit ain't green because its mouldy."

Itsy-Bitsy

I do think Olivetti might have been a little more careful when drafting a recent advertisement for their ET 121 electronic typewriter. "It has a one line memory," trumpets the ad copy. "Can justify a line of type to both sides like a book. Centre a heading perfectly."

"It can even," wonder of wonders, "correct it's own mistakes." Just as well, really.

Marine life

What sort of company is this Pentlow Holdings, which owns Bentleys Restaurant and Oyster Bar in the West End? The answer, say the market men, is "a shell."

Observer

FINANCIAL TIMES SURVEY

Monday September 21 1981

UK BANKING

If developments so far maintain their tempo, this decade is likely to prove an exacting time for the banking community. In most areas traditional attitudes are being challenged and growing competition is spurring on changes which will greatly alter the industry's approach

New men at the top will face daunting problems

BY WILLIAM HALL, BANKING CORRESPONDENT

OVER THE next 12 months several new faces will begin to emerge at the top of Britain's clearing banks as the old guard stands down and the new team takes over.

At Barclays Bank Mr John Quinton moves in as senior general manager on January 1 next; at Midland Bank and National Westminster Bank the successors to Mr Stuart Graham and Mr Jeff Benson respectively are waiting in the wings.

For the new men the next few years before they retire will probably prove to be the most testing time of their whole careers. The scale of the problems and the complexity of the issues facing them are daunting.

The banks' role in lending to industry, their whole approach to the provision of money transmission services, their responsibility to the local community and their relationship with the supervisory authorities on complex issues like liquidity adequacy are all under scrutiny.

After years of cosy co-operation Britain's clearing bankers are having to take decisions on a number of issues which will shape the destiny of their banks for the next decade at least.

Whereas they used to be able to hide behind common decisions, the fresh winds of competition blowing through the banking system are forcing bankers to face up to decisions on their own. Each of the big banks is trying to carve out an identity for itself which is both different from and preferable to that of its competitors. In future, their mistakes will be much more visible than in the past.

The whole area of the banks' policy on their money transmission services is in turmoil. Bankers are having to form an opinion on two inter-related questions—how can the cost burden of the system be allocated more fairly and where should they draw the line between co-operation and competition?

The problem is not a new one for the banks. In the late 1960s, for example, the big banks toyed with the idea of establishing a network of common cash dispensers which could be accessed by any bank's plastic card. They decided, however, to go their own separate ways and are now investing heavily in competing cash dispenser systems to service the public's growing appetite for cash. Some senior bankers argue that this was a lost opportunity and instead of competing on cash dispensers availability, the banks would be better advised to compete on the prices of their services and their lending.

There has always been a conflict between the need for competition within the banking system and the advantages of co-operation for the customer in the provision of basic services such as the production of cash.

Recently the conflict has come out into the open again with Barclays' decision to stop cashing personal cheques of other banks at its branch counters free of charge. Midland Bank has followed suit.

Traditionally bank customers could walk into any branch of a bank in the UK and cash a cheque or use the bank giro credit facilities at no cost to themselves. This service is now disappearing rapidly, however, as the banks dismantle their old co-operative agreements—an action they blame largely on the Office of Fair Trading's (OFT) interest in "agency tariff" agreements.

Aside from blaming the OFT, the banks argue that the moves will improve their customer service by reducing the queues of non-customers at their own counters. But this is only half the tale.

The main reason is that the big banks are conscious that smaller banks have been underpricing their services in order to win market share. They have been able to do this because they do not have to bear the big banks' heavy burden of maintaining large branch networks in support of the country's money transmission service. It is not by chance, they argue, that most of the small banks are offering free banking.

Inevitably, some of the decisions the bankers are taking conflict with other objectives they hold dear to their hearts. For example, they are busily trying to woo the 11m adults without bank accounts into their bank branches while at the same time pushing through increased charges which can only reduce the attractiveness of opening a bank account.

The banks are not trying to win over the 50 per cent of the adult community without bank accounts purely out of the goodness of their heart. There are sound practical reasons in getting the bulk of the population into the banking system (a process which is much more advanced in virtually every other developed country).

If the great majority of the population has bank accounts it makes it much easier to introduce labour saving electronic technology. A number of bankers believe that recent decisions on bank charges have seriously damaged their campaign to win over the "great unbanked."

The banking community is badly split on how best to reconcile the obvious differences now emerging between the need to extend the "banking habit" and the desire to charge more realistically for bank services.

The "hawks," led by Barclays, argue that many of the new accounts they might win will be unprofitable and say there is no point in trying to extend the banking habit too far down the social ladder. Barclays' Mr Deryk Weyer has said that a "massive attack on the money transmission and wages business of the 11m 'unbanked' weekly wage earners is probably not a practical proposition for the clearers using their branch networks." The costs of servicing them through labour-intensive High Street branches are too high for comfort.

Other bankers disagree. Some say that this is part of the price they must pay if the public is to reap the long-term benefits of electronic banking technology. As long as half the population is wedded to getting their wages in cash, the banks can forget any ideas they might have about introducing nationwide "point-of-sale" schemes where shoppers use their plastic debit cards, in the place of cash or cheques, to pay for their goods.

The whole area of bank automation is riddled with conflicts which the banks need to resolve over the next few years if they are to maintain the standards of service the public has come to expect of them.

The number of bits of paper passing through the banking system has doubled over the past decade to 8m items a day and looks set to double again over the coming decade. This is putting pressure on the banks to continue investing heavily in machinery to process the mounting paper work. Nevertheless, bankers continue to talk glibly of the day, not so far away, when plastic cards, automated transfers and cash dispensers will make the cheque obsolete.

By upgrading their cheque processing facilities the banks are arguably prolonging the life of the cheque (Weyer calls it a "convenient but archaic instrument") and the reluctance of some of the banks to take on unprofitable personal bank accounts, delays the day when the majority of businesses will bill their customers by direct debit or plastic card.

The banks need to develop a coherent strategy for their long-term approach to the future of cheques, credit transfers, credit cards and the role of cash in a "cashless society." There is a danger that the short-term profit objectives of banks, such as Barclays, are delaying developments which would benefit the community at large.

While automation is helping revolutionise the banks' services it is also causing new headaches for senior executives. The growth in credit card use has been paralleled by an unprecedented boom in credit card crime.

The banks are reluctant to talk about it but it is obviously tempering their enthusiasm for the plastic card. Petty criminals can run up quite a sum on a Barclaycard during a weekend in Majorca.

The equipment is available to curb credit card fraud but the sheer costs involved are preventing them from making the investment. Once again the problem comes back to the basic question of who should pay for these developments in the money transmission service—the banks, the customers or the retailers? The banks argue that they have been shouldering the burden for too long on their own.

The other unfortunate side-effect of increased automation is that the banks have laid themselves open to lightning strikes by a few hundred people at key processing centres. Much of the work which used to be handled in isolated branches, is now handled in the huge bank *processing "factories."*

The banks reap the benefits of the massive computing power in these centres but they are also very vulnerable to industrial disruption. Senior bankers got a taste of their vulnerability during the recent wage negotiations.

Their contingency plans were never really tested, yet the banks are sensitive that sooner or later they will probably have *to face some form of massive disruption.*

The progress in automation of the back office systems is such *that they cannot* realistically hope to return to a branch-based *manual system in the event of a* major strike. This is the bank's big Achilles heel and is likely to be tested in the years ahead as the banks move to get a control on their escalating labour costs.

They are the only major labour-intensive industry in the UK to have continually increasing staff numbers during the recession, a fact no doubt helped by their high profits. Nevertheless, even the banks are finally taking measures to curb, and sometimes reduce, their staffs, and this is likely to be accompanied by a more militant attitude on the part of the traditionally passive staff unions.

The banks are much more complex animals than they were 10 years ago. The role they play in the economy and society is complicated and leads to stresses and strains which the senior bankers, most of whom have worked their way up since joining the bank straight after school, can no longer solve by relying on old rules of thumb. The groundrules are constantly changing, a theme which was explained admirably by Sir Jeremy Morse, chairman of Lloyds Bank, in a speech to the Institute of Bankers' Cambridge seminar, earlier this month.

CONTENTS

Dilemma if industry's demand for credit revives

THE BANK of England's moves to push up interest rates last week underlines its growing concern about the current boom in personal lending which is *reminiscent of the days when* Anthony Barber was Chancellor of the Exchequer in the early 1970s—a period known as the "Barber boom."

The banking system also faces a growing demand for credit from industry over the next year as the economy begins to move sluggishly out of the deepest recession for 50 years.

That is the general view among economic forecasters after a period of unprecedented upheaval in industry and the economy.

The story of the past year is straightforward. Faced with a severe competitive squeeze as a result of the rising pound and high interest rates, industry began to cut back on stocks, fixed investment and labour costs at a record rate.

The result was the financial position of industrial and commercial companies improved dramatically — moving from a deficit of £2.9bn in the second half of 1979 to a deficit of £1.3bn in the second half of last year and to a surplus of £700m in the first three months of this year.

This turnround was reflected in a reduction in industry's demand for bank borrowings and in a marked slowdown in the growth of bank lending to the UK private sector from the late autumn of 1980 onwards.

This was not fully reflected in the growth of the money supply under any of the wider

Economic Background

PETER RIDDELL

definitions. The explanation was the sharp rise in public sector borrowing caused by the recession and by industry's success in reducing its financial deficit.

Interpretation of the figures has, however, been made difficult by a series of distortions. First, the end of the "corset" controls led to a large amount of what is known as re-intermediation whereby lending in the form of commercial bills was switched back from outside to inside the measured money supply, thus inflating sterling M3.

More recently, the figures have been boosted by the impact *of the Civil Service dispute* which delayed around £6bn to £6½bn of tax revenue. This inflated public sector borrowing and, to a lesser extent, the money supply.

All this has obscured the usual benchmarks for the policymakers. But even before the unwinding of the "corset" distortions the Government was moving away from strict adherence to sterling M3 in its interest rate policy.

After the "corset" fiasco and the sharp jump in the money supply, the references to wider criteria became more explicit. The announcements accompanying the reductions in Minimum Lending Rate in July and November *last year and this* March all referred to a range of monetary aggregates, to the state of the economy and less directly, to the exchange rate.

The strong pound was clearly seen as a clearer guide to the tightness of monetary policy than sterling M3 for much of last year.

This shift in emphasis has become more pronounced in recent months, though for rather different reasons. The sharpness of the fall in the pound against the dollar has caused concern about a resurgence of inflationary pressures.

Consequently, the authorities in London gave an upward nudge to money market interest rates during the summer in order to help check the slide in sterling — even though there is no formal exchange rate target.

While interest rates of one-month and three-month maturities were allowed to rise, the authorities kept down interest rates at the very short end in the hope of deterring the clearing banks from raising their own base lending rates.

This uneasy equilibrium was maintained during the summer, partly because of the large amount of liquidity remaining in the system in the form of unpaid tax bills and partly because of the banks' unwillingness to raise their interest rates for political reasons.

This balance has been threatened as the summer ends. In particular, the payment of the delayed tax bills has been draining a large amount of money out of the system. Indeed, for the growth of sterling M3 to get back within the 6 to 10 per cent target range the money supply will have to be flat for much of the autumn or winter.

Payment of these delayed tax bills is also likely to produce a sharp rise in the demand for bank loans from industry. There is considerable uncertainty about the extent to which companies have used the unpaid bills to reduce bank overdrafts or to increase bank deposits. Probably the latter became more important as the dispute continued.

This uncertainty *accounted* for some of the obscurity about the underlying monetary position in the late summer. But it is likely that a large part of the payments during the autumn will be paid out of bank overdrafts, as well as from a reduction in bank deposits.

At the same time, the levelling out of the recession and the slowdown in destocking has meant that industry is receiving a smaller boost than last winter to cash flow from the reduction in stocks.

From now on there are likely to be two offsetting influences. Profits are likely to recover in response to the recent decline in the pound against the dollar and because output is expected to rise slowly. Even so, real rates return are likely to be *very low by historic standards.*

The financial resources of industry are, however, likely to be drained as a result of the slower rate of destocking (and possibly some restocking) and by a recovery of fixed investment in 1982. Consequently, the first-quarter financial surplus of industrial and commercial companies is likely to prove very short-lived and a deficit will reappear in the second half of this year and next year.

The Confederation of British Industry recently forecast a deficit of £3.3bn next year, which is substantially less than in 1979 even before adjusting for inflation.

This estimate is based on a cautious view of the likely industrial recovery. The CBI has been projecting a rise in real *Gross Domestic Product next* year of only 0.8 per cent after a drop of 3.2 per cent this year and of 3 per cent last year.

The main upward influences are expected to be the end of destocking, some growth in exports and a slight rise in consumer spending.

Partly offsetting this, there are likely to be further falls in fixed investment and public spending and a rise in imports.

Some other forecasters are *slightly* more optimistic *about* the outcome reflecting expectations both of a higher level of consumer spending following a larger reduction in personal savings and of more stock-building.

But the differences are well within the usual forecasters' margin of error and there is *agreement among most, though* not all, economists that any recovery is likely to be sluggish rather than strong.

To the extent that the economy is more buoyant than expected, the financial deficit of industry is likely to be larger.

The monetary implication is that the increase in bank borrowing by industry is likely to be higher over the next 12 months than during the last year. But the banks have recently been increasing their advances to their private customers at twice the rate of lending overall.

This lending is both for consumption and for house purchase. In part, it reflects a structural shift as the clearing banks have undertaken some lending directly to consumers *at the expense of specialist hire*-purchase companies, while they have been increasing their share of the mortgage market in competition with the building societies.

This could raise a number of tricky policy dilemmas towards the end of the year if industry's demand for bank credit revives. The Bank of England's request to the banks to give priority to lending to industry remains in force and this might have to be repeated *if lending* to private customers remains buoyant.

Hopes entertained after the March Budget that interest rates in London might fall further have not been fulfilled. In the short-term, the pressures are upwards because fo the effect of the unwinding of the Civil Service dispute.

Looking further ahead, the prospects depend partly on what happens to interest rates in the U.S. and partly on domestic factors such as the level of public-sector borrowing and the scale of any pick-up in borrowing by industry.

New garb seems to suit the wearer better

FOR MUCH of 1980 the London money markets were a shambles. In the first quarter of the year the seasonal bunching of tax payments to the Exchequer coincided with the height of the Government's squeeze on bank lending to the private sector. In order to prevent money rates rising to 20 per cent and above (the now-suspended Minimum Lending Rate stood at a record 17 per cent) the Bank of England entered into unusual and controversial transactions, such as very large swaps on the banks' holdings of gilt-edged stock. For better or worse, monetary policy has never been quite the same since.

Later in the year the monthly banking make-up days—when the banks draw up their books for regulatory purposes—grew more and more strained as the banking system struggled to avoid the penalties imposed by the notorious corset scheme. When the corset ended and all the hidden lending came out into the open (so that the sterling M3 measure of the money supply showed a leap of 5 per cent in a single month) make-up days became more difficult still. Under the reserve asset system then in force, banks were required to match 12½ per cent of their eligible liabilities — roughly speaking, the bulk of their deposits — with certain specified highly liquid assets. The end of the corset was accompanied by a quantum jump in the size of banks' balance sheets, and there was therefore a scramble for extra reserve assets.

Since the supply of reserve assets such as gilt-edged stocks near maturity and Treasury bills was limited, additional reserve assets *could only* be created by placing money at call with the discount market. Banks were forced to bid up for interbank funds to place with a discount house. That in itself would have been expensive enough for the banks. But the high interbank rates allowed the banks' customers to draw down their overdraft facilities and re-lend in the money markets (the practice of round-tripping, deplored by the clearing banks and occasionally pronounced extinct). This *inflated* the banks' balance sheets further, and aggravated the whole problem still more.

Worse, it inflated the money supply and effectively destroyed the Government's monetary policy, since it was impossible to know what successive monthly figures meant. The Bank of England was taking its monthly snapshot of the monetary system with a finger over the camera lens and then developing the film with the dark-room door wide open.

At this point it became clear that the whole system of monetary control would have to be re-thought. It was decided to start more or less from scratch rather than simply tinkering with the old system, although in the transitional period necessary steps such as a reduction in the reserve asset ratio from 12½ per cent were carried out in order to make make-up days more tolerable.

During 1980 the Treasury was flirting with the idea of introducing a system of Monetary *Base Control* (an enthusiasm not shared to any marked extent at the Bank of England) which would have been incompatible with the provision of lender of last resort facilities to the discount market. It was felt necessary to design a new monetary system which could allow the introduction of MBC—something which now seems a remote prospect—through making changes which were desirable in their own right.

There was also anxiety at the Bank to allow the money market more say in the determination of interest rates, rather

Monetary Control

MARTIN TAYLOR

than attempting to impose a structure. Under the new system short rates (quite how short is not entirely clear—up to a month perhaps) are to be kept by the authorities within a range—the "unpublished band" — and longer rates allowed to fluctuate freely. Clearly this has meant scrapping the old structure of Treasury Bill dealing rates, whereby the Bank was not only ready to lend overnight at Minimum Lending Rate but also to buy Treasury bills of different maturities at pre-determined levels, whatever the shape of the money market *yield* curve.

The announcement of bill dealing rates a week ahead was one of the first things to go. The next stage, and in terms of day-to-day operations, the most important of all, was the decision last November to shift the emphasis of open market operations from lending and dealing in Treasury bills towards dealing in eligible bank bills — bankers' acceptances issued by accepting houses, clearing banks, and some Commonwealth banks. When there is a shortage of credit, and discount houses are obliged to sell bills to the Bank, they are now required to name a price; if the Bank does not like it, it may turn them down. The Bank still sets the rates, but it is the market that proposes them.

Clearing banks used to be compelled to match 1½ per cent of their eligible liabilities with interest-free deposits at the Bank of England. This long-standing source of grievance has been removed, and now all banks are required to keep a ½ per cent cash reserve—plus whatever they need in the way of working balances (which applies particularly to the clearers).

Foreign banks have been allowed to join the club of eligible acceptors, provided they fulfil certain requirements; this should have the effect of greatly enlarging the bill market, making it easier for the Bank of England to supply liquidity through the purchase of bills and to influence the interbank market. *However,* the interbank market will remain many times the size of the market in eligible bills, so that the Bank is still trying to operate on a gearing basis, affecting a very large pool of funds through a relatively small one.

The Bank's desire to operate in this way—and avoid eyeball-to-eyeball confrontation with the clearers—has long been the raison d'être of the discount houses. The houses will have a less easy time of things under the new system but the abolition of the reserve asset ratio does not mean that they will lose automatic access to funds from the banking system. All eligible acceptors are required to *leave* 6 per cent of their eligible liabilities with the discount market. As this figure is a norm, rather than a minimum level, it may be run down as low as 4 per cent in times of difficulty.

Some of the larger houses feel that it would have been better not to have this requirement—which still smacks of feather-bedding the discount market. They feel that call money with a discount house represents such excellent liquidity for a bank that the banks would deposit money with them anyway (at the right price), and enable them to finance as big a bill book as they—and the Bank of England—could require.

The most headline-catching aspect of the new monetary control system is the abolition—or rather suspension—of Minimum *Lending Rate.* Since the Bank has hardly lent to the banking system for a year now, MLR had ceased to have any operational significance.

Some fears have been expressed that the absence of a publicly expressed official view of a marker interest rate could have *damaging* effects on the real economy, rather as seems to have *happened* ten years ago after the introduction of Competition and Credit Control which replaced Bank Rate with the supposedly market-related MLR. Then, too, the Bank was trying to remove interest rates from the political arena.

The authorities have surely learnt from the experience of the early 1970s. What effects the new methods will have on the *day-to-day* running of the banking system and on the volatility of interest rates depends very much on the way the Bank of England handles them.

This summer it has been battling to avoid a rise in short-term interest rates by using the new system to inject liquidity at an unvarying (and low price wek after week. It then signalled a rise in rates by the age-old technique of penal lending to the discount market. The central bank is the central bank, whatever clothes it wears, but its new suit looks to fit rather better than the old.

Testing time over checks on liquidity

"Prudent banking can never be ensured by the mechanical application of a particular set of rules," Gordon Richardson, *Governor of The Bank of England, May 1980.*

THE PAST 12 months have been a testing time for both Britain's bank supervisors and, more important, the institutions being supervised. Nevertheless, *both parties have come through* with their honour intact, if not with flying colours.

The period saw the completion of the first full year of the Bank of England's supervisory responsibilities under *the 1979 Banking Act*, the first decision on several appeals pending under the Act and, *most important, the publication* of the Bank's revised views on bank liquidity—probably the most complex and elusive issue currently facing bankers and regulators.

The Banking Act 1979 received the Royal Assent on April 4, 1979 but did not take effect until October 1, 1979 (the appointed day). From that time *no new deposit-taking* businesses could be established without the Bank of England's permission and those *in operation* had up to six months to apply to the Bank for authorisation to continue.

Altogether 614 institutions carrying on a deposit-taking business on October 1, 1979 applied to the Bank for authorisation within the six-month period ending March 31, 1980. About a third of the applications were not received until the *final month*, which considerably increased the workload on the supervisory authorities.

Supervision

WILLIAM HALL

Under the Act the Bank is required to reach a decision on each applicant normally within six *months* and at the latest within 12 months of the date of receipt of the application.

Of the 614 applications received from *institutions* in business on October 1, 1979 279 were granted full recognition, 259 received *deposit*-taking licences. 65 withdrew their application before the Bank made a *final decision* and 11 were refused any authorisation to carry on as deposit-takers.

Apart from the above institutions *already in business* the Bank also processed applications from newcomers to the UK market. *As a result* 42 institutions (mostly foreign), were given permission to start taking deposits in the UK for the first time.

The Bank published a first list of recognised banks and *licensed deposit-takers* in April 1980 and by the end of June 1980 had made up its mind about most applicants. The first definitive list was not published until April 1981, however, and it contained 281 recognised banks and 297 licensed deposit-takers (LDTs). There are currently (August 1981) *286* recognised *banks and 298 LDTs*.

Inevitably the decision on just which institutions fit into each of the two *banking* tiers has caused some controversy at the margin. Despite the Governor's *assertion that* "classification as a licensed deposit-taker is not to be seen of itself as impugning the status *of an institution*—and certainly not the integrity and competence of its management or *the good name of the* institution generally," some people have taken exception to the Bank's decisions.

At the end of June 1981 seven institutions had formally appealed to the Chancellor of the Exchequer, and in January 1981 the first appeal, by The People's Bank (part of the *Provident* Financial group), was heard.

The Bank of England's decision not to grant full banking status to The People's Bank was upheld by the Chancellor in July, but the *Bank of England* did not have it all its own way.

It had argued that its decision could be overturned only if it *had made an error* of law. Some lawyers argue, however, that it is implicit in the Chancellor's statement *that the Act* allows *him* and the tribunal to look afresh at an appellant's case—both the law and the facts.

The next appeal—which is likely to be awaited with not a little interest—is the case of Sir Julian Hodge's Commercial Bank of Wales. *It* wants to be allowed to keep the world 'bank' in its title but this is not allowed if it is a mere licensed *deposit-taking* institution (LDT). The Commercial Bank of Wales is understandably irritated because it would *allowed* to keep the word 'bank' in its name if it were a subsidiary of a foreign bank. The Bank of Credit and Commerce International, for example, can keep the word 'bank' in its name but has to add "licensed deposit-taking *institution*" at *the* end.

Aside *from* the controversy *about* whether they can retain the term "bank" *in their title* a number of LDTs argue that their relegation to the lower of the two tiers *puts them at* a commercial disadvantage. Certain institutions will *only* deposit *money with a* recognised bank, they say.

The Bank of England is *anxious that the* market does not make "crude judgments of credit-worthiness" based merely on the distinction between recognised banks and licensed deposit-takers.

Several LDTs, in particular those belonging to *foreign* banks, argue that whatever the Governor might say they are still at a disadvantage *and they* are not happy about the situation. However, the vast majority of banks *seem relaxed about* the way this aspect of the Bank's supervisory responsibilities is working.

The Bank has tried hard to show that it is adopting a flexible approach and the distinction between the two categories is not rigid. Since it published its first list over a year ago a number of institutions have advanced from LDTs to fully-fledged recognised banks — *most recently* the Detroit Bank and Trust.

The other sensitive area for the banks is *the Bank of England*'s views on bank liquidity. The Bank has issued three sets *of consultative papers over the* past two years — Management of Capital; Foreign Currency Exposure; Measurement of Bank Liquidity.

The banks have largely accepted the first two papers as *indications of official supervisory* policy, but the liquidity paper has proved far and away *the most controversial*.

A *first draft*, in March 1980, caused great consternation in the banking community since it *attempted to lump the authorities'* concern about the liquidity of the economy with their prudential *responsibilities about* the liquidity of individual institutions. The suggestion was *that banks would* be judged by an "integrated test of liquidity."

The banks were upset by the lack of flexibility of the original *proposals* and said it was impossible to apply a single integrated test of liquidity to the business *of every bank*. Meanwhile the Bank of England argued that the banks had misunderstood its proposals. Its *ideas were open for discussion* and not handed down on high in the form of "tablets of stone" was how one *senior* Bank of England man summed up the Bank's approach.

In the end the two sides *appear to* have reached a compromise. Many of the original proposals, including the controversial "primary liquidity requirement," were withdrawn and the Bank has reframed its views in two further consultative papers—The Liquidity of Banks (March 1981) and The Measurement of Liquidity (September 1981).

The Bank justifies its interest in looking at banks' liquidity because over the last decade the banks have been lending for longer terms while becoming more reliant on short-term deposits. While this is admittedly filling a gap in the financing *of* British industry, it also has prudential implications and the authorities have been trying to refine their approach to measuring and assessing bank *liquidity*. The dilemma facing all banks is that they must have sufficient liquid assets to meet *any demands* by their depositors; yet they cannot survive over the long term if they are only going to invest their funds in very short-term assets.

The problem is made more difficult since the big *clearing* banks *rely* heavily on current account balances which can be withdrawn immediately *and on* the other side of their balance sheet, lend large sums on overdraft which is technically subject to immediate *recall* but in practice is often regarded as medium term loans by borrowers.

Under its new proposals the Bank is proposing that each bank will have to fill in *a form containing* a "maturity ladder" with the net positions of assets and liabilities at certain periods *of up to a year*. The Bank argues that it is only measuring the liquidity mismatch over *the first year* since *this* is when problems are most likely to occur. Beyond that the bank can take alternative action, *such as* raising extra capital, etc.

The Bank suggests that in the first maturity band *of* the ladder, *sight* and near-sight deposits will be matched with cash and assets capable of generating cash immediately, giving *the equivalent* of the old liquid assets ratio. A certain discount will be applied to the various types of *marketable* assets, *reflecting the speed* and cost of transforming them into cash.

The hope is that a final liquidity *proposal* will be *agreed* with the banks before the year's end. Unlike the first draft, the banks *seem much more relaxed* about the present proposals.

Relations soured by battle over pay

INDUSTRIAL RELATIONS in the English clearing banks lurched into a higher gear this year.

Last spring the banks and the TUC-affiliated Banking, Insurance and Finance Union *were locked in one of the most* protracted disputes ever suffered by the industry.

It did not have the damaging effects of the messengers' dispute at National Westminster two years ago; but in terms of souring relations between the union and the clearers and in further straining attitudes between Bifu and the rival non-TUC Clearing Bank Union its repercussions are still being felt.

Apart from the pay dispute, this year has highlighted the continuing problem of negotiating *systems for the banks* and the two unions, how the unions will react to job losses, and the *increasing impact* of new data-processing technology.

The unions lost the pay battle this year and because Bifu *mounted a campaign* of industrial action while the CBU did not the loss in many ways was *much more of a blow for Bifu.*

Both unions had been seeking rises of 12 to 13 per cent. The banks, *with an initial offer* of 8.5 per cent had been determined to keep within single figures. This course *of action* was governed partly by the need to curtail operating costs.

But it mainly emerged from two factors—an attempt to hit back at Bifu for the damage *that union had inflicted on the* banks during earlier disputes and as part of a general employers stance, heavily affected by the political climate, to keep below the politically-sensitive 10 per cent figure.

There is no doubt that the banks were under considerable pressure from Government and from the CBI to hold the line on pay.

Eventually the banks' chairmen and chief executives *agonised over whether to breach* the magical double figure but then did so—by offering 10 per *cent and arousing* stubborn resistance around that.

There has been a lot of rumour about why the banks *moved to 10 per cent* when their inner councils had been emphasising to negotiators of *the Federation of London Clearing* Bank Employers that a single figure offer was the name *of the game*.

The answer appears to lies in two areas. First it was a response *by the* banks to the Government's announcement of a windfall tax on bank profits. The decision to raise the offer to 10 *per cent* is thought to have been made by the chairmen and chief executives on the same day *as the announcement* or shortly afterwards.

Second, the Federation's *leading negotiators had told the* chief executives that there appeared to be a greater possibility of avoiding serious industrial action if the offer was moved from the then 9.5 per *cent into double figures*.

Whatever the thinking, Bifu began an action which involved stoppages by computer staff starting with Lloyds and then Barclays but also involving Midland and National Westminster.

Apart from this, the union called a one-day strike at those branches that *had* effectively asked to be called out. This resulted in the almost unparalleled sight of bank branches being picketed in diverse areas of the country. The union claimed that 12,000 *members took part* and 1,150 branches were affected.

Industrial relations

NICK GARNETT

The banks claimed that only about 7,000 Bifu *members took* part and that 160 branches and sub-branches were closed.

By then, although the CBU's *own ballot*, which *contained* no recommendation despite its officials rejection of the 10 per cent *showed that* there was *no* majority in favour of industrial action and the biggest proportion *of voters reluctantly voted* for acceptance.

Bifu held its own ballot which *produced a slender majority*—52 per cent of those voting—in favour of acceptance despite a *strong executive* recommendation in favour of rejection and further industrial action. It was a severe reverse for the union.

The dispute has highlighted several points. Firstly, *there* were divisions on the employers' side and some brow-beating by the *more robust managements* and also wide differences of view among the union leaders about this year's wage *negotiations* and how to proceed with them.

Second, it showed how difficult it is *for white-collar unions* with computer-programming members, working in areas where a *strike* can *rapidly* paralyse an employer, to use those members as shock troops.

Bifu failed to sustain any lengthy stoppage in the cheque-clearing centres, which would *really have tested management's* resolve to stick by their offer.

This could be an important signpost *to* the unions ability or lack of it to fight the employers over some emerging issues, such as new data-processing technology *and* job reductions.

It also imposes tests on management—their skill in preventing *the* build-up of special grievances among specialist computer staff which can then *be tapped by their union* in support of grievances of a wider unionised group.

Third, it revealed *some of the* workings of the clearing banks' Control Group. This is a rather *secretive* operation who activities do not appear to be fully explained even to some of the banks' *second-tier senior staff* managers. It was set up after the disputes which hurt the banks two years ago.

One function of the group is to co-ordinate the five banks' mechanical response to industrial action. It *apparently* included *in part of its* armoury a threat to shut down the whole banking system in self-defence *if one bank was targeted* by Bifu.

The value and influence of the Control Group's *deliberations* were never tested. It is still not clear if the banks would have collectively hurt themselves so as to protect one of them.

The banks have not hitherto shown much ability to stick together in the face of adversity, and both unions believe *that this difficulty* will worsen with the new competitive pressures now being exerted on the *clearers*.

Finally, it re-emphasised how difficult it is to get a strong *commitment* to industrial action from bank staff, a large proportion of them young women. *It is a mark of the* generally good staff relations in the banks at branch level that the dispute has not really had any repercussions on those relations within the branch offices.

There are two other effects *of the dispute*. One is that the CBU, which organises in only three of the five clearers, has redoubled its attempt to attract members in the other two banks—*Midland* and Williams and Glyn's.

The CBU now has a small and scattered membership in those two banks, including *small* concentrations in one or two Midland computer centres. The Association of Scientific, Technical *and Managerial Staffs*, with 5,000 members in Midland has been keeping that membership steady.

The other *effect* is that there has been some pressure within Bifu — among some executive *members and some officers* — to pull out of national negotiating machinery for the clearers, *partly as a result of the dispute*.

But there appear to be signs that this pressure has been *diminishing*.

The pay dispute has weakened Bifu's ability to respond aggressively to new changes in the banks. Midlands's announcement of 2,000 job reductions at head office and the growing use *of new* data-processing technology.

The two unions have slightly differing attitudes to *how* they should tackle the new technology problem, with the CBU stressing negotiation but Bifu moving towards the concept of rigid agreements on new technology.

It has yet to be seen whether the banks and the unions can find agreement on these issues without the kind of disruption that has affected the banks over the past few years.

Battle for Royal Bank of Scotland

Royal Bank of Scotland

WILLIAM HALL

LATER THIS week the Hongkong and Shanghai Banking Corporation and the Standard Chartered Bank go before the Monopolies and Mergers Commission (MMC) to give further evidence about their rival £500m bids for the Royal Bank of Scotland Group.

The battle for the Royal Bank of Scotland is the first bid for a UK clearing bank for over a decade and is proving to be something of a *cause celebre* in the British banking community, raising issues which have lain dormant for years.

The Royal Bank of Scotland Group consists of two independent banks. The biggest is the Royal Bank of Scotland Limited, the largest bank north of the Border, and its English sister, Williams and Glyn's, which has about 2½ per cent of the English banking market.

The two banks are very different in their outlook. The Royal Bank has the largest share of the Scottish banking market and faces tough competition with limited prospects of increasing its local market penetration. Williams and Glyn's, by contrast, has embarked on an aggressive policy of building up its market share in the personal sector.

Aside from the separate personalities of the two banks involved, the battle is complicated by the fact that one of the bidders—Hongkong and Shanghai Banking Corporation—has pressed ahead with its bid in the face of the opposition of the Royal Bank's board, and equally important, without the Bank of England's blessing.

In 1972 the Bank of England issued a memorandum on bank takeovers which stressed that it did not look favourably on contested takeover bids. The Hongkong and Shanghai has chosen to ignore this advice and so has thrown into doubt the whole question of the Bank of England's authority to control developmens in the banking system.

Initially it was hoped that the MMC would be able to report on the two separate bids by the end of October, but the Commission has now asked for an extension until the end of January next year. This has been requested because of the weight of the evidence being submitted and the complexity of the issues involved.

Basically, however, the question of who will eventually end up owning the Royal Bank depends on the Commission's view on three key issues: the impact of any takeover on competition in the UK banking system; the supervisory implications; and the regional impact on the Scottish economy.

There is not much controversy about the competition aspect of either bid. Both Standard Chartered and Hongkong and Shanghai have only a small presence in the UK domestic market and both see the Royal Bank as an ideal vehicle for expanding their market share.

Williams and Glyn's in particular is regarded as the jewel in the Royal's crown. The English banking market is highly profitable and Williams and Glyn's would be expanded by both owners, thereby increasing the competition for the Big Four clearing banks.

The supervisory aspects of the bids are particularly sensitive and this is an area where the MMC is arguably a bit out of its depth. The Bank of England is still grappling with the best way of supervising the banking community and it is unlikely that the Commission will be able to give any great insight into this area given the short space of time allotted to the subject.

The Bank of England's position is simple. Besides its dislike of contested takeover bids it feels that the public interest would be best served by ownership of a clearing bank remaining in the hands of a UK-registered bank. Clearing banks are part of the fabric of a country's industrial and commercial life and consequently it is easier for a central bank to regulate them if they are headquartered in the country itself.

The Hongkong and Shanghai is aware that this is the area where it is most vulnerable, being headquartered on the other side of the globe. It still regards itself as a British bank since Hong Kong is a Crown Colony, but the Bank of England still feels there is a difference between the two banks.

Hongkong and Shanghai looms very large in the Hong Kong financial community and in some respects acts like a central bank. This raises the question of who supervises the bank.

Hong Kong has been improving its banking supervision framework and the local supervisory authorities have already testified to the MMC on the adequacy of their procedures. Even so the Bank of England points to the current situation as an indication of what could happen at some future date. If the bank is prepared to challenge the Bank of England's authority now, what promise is there that it will follow the Bank's wishes on another subject at some later date?

The Bank of England's position is not completely inviolate, however. The MMC may argue that the Bank's supervisory fears are perhaps slightly overdone and allow both bids to go ahead regardless. The Foreign Office in particular is anxious to see that the MMC's investigation does not damage the UK's position in the Far East by raising questions about its commitment to Hong Kong.

The other big issue raised by the two bids is the regional one. There has been considerable criticism from bodies such as the Scottish Nationalist Party and The Scottish Development Agency that the takeover of Scotland's largest bank will damage the local economy over the long term. The gist of the criticism is that the takeover will reduce the number of top decision makers based in Scotland.

The regional issue has become very emotive and both bidders have made great play of their desire to maintain the autonomy of the Royal Bank of Scotland. Of the two banks the Hongkong and Shanghai appears to be promising the greatest degree of autonomy for the Royal Bank.

Mr Michael Sandberg, chairman of Hongkong and Shanghai, says that the Royal Bank will be the group's "flagship" in Europe. He describes his proposals for the Royal bank as a "partnership with operating autonomy."

The Royal Bank, however, still prefers Standard Chartered as a marriage partner. Mr John Burke, the bank's managing director, spelt out the reasons recently in the latest issue of the bank's house magazine. According to Mr Burke the Hongkong and Shanghai has a "number of serious weaknesses in crucial areas." These stem from the fact that it is not really a British bank in the normally accepted sense. It is not sterling-based and it does not belong to the UK banking circle to which The Royal Bank Group must necessarily belong.

"This would create stresses in any patrnership and, given all the goodwill in the world, would create an unsound structure," says Mr Burke.

When Standard Chartered's first bid for the Royal Bank of Scotland was announced last March the logic of the deal looked impeccable. The Royal Bank was well capitalised but positioned largely in the domestic market and relatively undeveloped overseas. By contrast Standard Chartered was making large profits but had a weaker capital base and lacked a strong UK deposit base. The two banks looked a natural fit.

Since then much water has flowed under the bridge. The Royal Bank has been criticised for selling itself too cheaply, thus prompting the opportunistic bid by the Hongkong and Shanghai Banking Corporation.

THE BANKS COMPARED

	Assets (£bn)	Net profits (£m)	Mkt. value (£m)	Offices (No.)	Countries (No.)	Staff (No.)
Hongkong and Shanghai	19.8	116*	2,183	800	45	35,000
Standard Chartered	15.4	160	573	1,500	60	50,000
Royal Bank	3.5	34	382	600	3	9,500
Wiliams and Glyn's	2.6	32		310	6	6,500

* After undisclosed transfers to inner reserves.

NatWest takes the lead in computing power

Technology

ALAN CANE

LAST MONTH National Westminster Bank took delivery of an IBM 3081 mainframe computer, the most powerful and advanced commercial computer IBM makes; it can process instructions at the rate of 10m a second. It costs about £2.5m and the bank plans to buy another three, one to join the first in the Goodmans Fields Management Services Centre in London, the other two to be housed in the bank's second main data processing centre at Kegworth, Leicestershire.

Acquisition of the 3081 probably gives NatWest the narrowest edge over the other clearers in raw computer power—but not for long.

Every bank is aware of the way its world is changing and how it must keep up with technology if it is to adapt effectively to that change.

Only this June Mr Arthur Ryan, a senior vice president of Chase Manhattan, told a conference in London: "The successful international bank will be the one that can harness technology and deliver that information throughout the world to its own employees and to its customers."

That explains why all the big banks spend millions of dollars annually on computer power and why management services directors in the banking world are significantly more influential than their counterparts in other business sectors.

For banks in the UK the problem is how to manage a business growing inexorably year on year and yet continue to provide a satisfactory service without increasing staff significantly or opening new premises.

There is already a severe cutback in recruitment. Thanks to a substantial fall in staff turnover, it looks as if total recruitment this year will be 6,000, compared with 60,000 in the previous year. That is well understood. What is less well known is how tightly the banks are pressed for space in their prime site high street branches.

The answer is technology—masses of computer power to run a series of services to aid bank staff and shift more of the direct costs of banking on to the customer.

Mr Cyril Townsend, management services director for NatWest, says he foresees five principal areas where the banks would be making major efforts in technology:

- Counter terminals:
- Automatic teller machines;
- Office automation;
- Electronic funds transfer at the point of sale;
- Cash handling.

A sixth area where most of the major banks are carrying out experiments — but one which is not high on the list of urgent priorities — is home banking.

Counter terminals are designed to speed service to the customer and take some of the load off the individual cashiers. Experiments being carried out by Nat-West involve a minute screen and keyboard developed by Burroughs and a cash dispenser developed by a Swedish firm, Interinnovation.

Each pair of cashiers shares a cash dispenser but has an individual screen and keyboard. The cost of each workstation is in the region of £7,000.

The terminal functions exactly like an automatic teller but for the benefit of the human teller. The customer's information is keyed in and the cash supplied automatically from a slot in the dispenser. The teller is freed from the chore of noting down manually cheque numbers, cheque card numbers and cheque values.

For the future, technology is already available to develop counter terminals which could automatically validate a credit card or recognise a customer signature, so ruling out the need for personal cheques.

The automated teller machine (ATM), or service till, already rules out the use of cheques. These are a familiar sight at many High Street branches and the banks report they are growing in popularity.

Faced with the choice of either a long wait in a queue to deal with a human teller or of pushing a piece of plastic into a machine, most people take the latter course. Indeed it is common now to see queues at the ATMs while the banking hall itself is deserted.

Experienced ATM users reckon to extract cash from the machine in under 40 seconds.

The commonly used UK ATMs, chiefly built by NCR, work in off-line or on-line mode. Simple cash transactions take place off-line. The date inscribed on the magnetic stripe on the service card is checked by the till, as is the cash limit. If all is well the money is delivered and the machine *writes on the card* the data necessary to prevent the customer drawing out more than his or her allowance in any week. The information is recorded on cassette and sent over the telephone line to the main computers at night.

If the customer wants to know his or her balance or request a new cheque book, however, the system operates on-line, telephoning the main computer and passing the message automatically down the line.

The range of services offered by UK ATMs is limited at present to cash requests, statement requests, cheque book requests and account balance, but the systems are flexible enough to encompass new functions.

There is a slot, for example, unused at present, which could take deposits. In Japan, a cash society, ATM development is particularly advanced. Japanese businessmen draw large sums of money from ATMs at the beginning of the day and return the amount unspent at the end.

Japanese banking halls are already lined with ATMs and many British bankers believe that UK banking must move in a similar direction.

Just as the banks were among the first to see the advantages in computers for business purposes, so have they been among the first to see the advantages in office automation. This means a lot more than simply replacing manual typewriters with word processors: the kind of experiments most of the big banks are running involve computer terminals on the manager's desk.

The idea is that he should be able to see, at the touch of a button, all the relevant information about a customer needed for taking banking decisions. That includes not only financial information but the personal notes managers use to help them decide.

Office automation technology is also used in specialist areas—foreign exchange for example. Computer systems like Arbat, Kapiti and Midas are used to give foreign exchange dealers up to date information on market *positions*.

Data General, the U.S. minicomputer maker, has developed a system based around a network of closed circuit video cable which enables up to 50 dealers or more to use the system simultaneously.

Electronic funds transfer at the point of sale (EFT/POS), the principal step towards the cashless society, is bogged down, in the UK at least, in endless bickering between the banks and the retailers about who should pay the necessary cost of the expensive equipment required.

The way ahead, however, is being demonstrated by Barclays Bank, whose experiment with a small number of petrol retailers in the Norwich area ended a few months ago.

In the U.S. the list of EFT/POS experiments is almost as long as the list of U.S. banks; the most significant experiments seem to have taken place in Europe, notably at the Credit Agricole in Limoges and the Salzburger Sparkasse in Salzburg.

Home banking takes the idea of the ATM to its logical conclusion. The customer has to do all the work involved in the banking process himself and at his own expense in equipment and telephone charges.

These developments and experiments show clearly the way the banks are going; when they get there depends more on politics than technology. But their demand for massive computer power will keep their chief suppliers, IBM, NCR and Burroughs, busy for the foreseeable future.

RETAIL BANKING

Strong challenge to building societies' dominance

IF THE building societies needed any convincing that their traditional *dominance of* the house mortgage market was not pre-ordained, the recent activities of the banking sector should act as a suitable reminder.

For the banks have done what they were always threatening to do in taking on the societies at *their own* game. Their success has been substantial, their influence extensive and the *societies* — *which* face competition on all fronts — are having to consider their business *prospects with a sense of* urgency which has not always hitherto attended their stately progress.

In a flurry of aggressive competition — which the societies have until recently tended to regard as unsuitable among their own ranks — the banks have stepped in and are marching off with a growing share of *the* residential *mortgage* market.

The big jump in lending to *house buyers by the banks* comes in the wake of a decline in the demand for credit from manufacturing industry. *Official* figures recently showed that—within an overall rise in bank lending to the personal sector—mortgage business has been rapidly increasing.

In the quarter *ending* May 1981 bank lending for house purchase rose by over 10 per cent. *from the previous three* months and stood 30 per cent up on the corresponding period a *year earlier. The* fresh bout of interest in the mortgage market is being equally *shared by the London* clearing banks and some of their foreign competitors operating in the UK. Their *progress* has been significant *enough to make it worthwhile* for any home buyer to consider these sources of finances as *something* more than a last resort.

The banks' success to date *must, however, be kept in* perspective and their lending remains small in relation to the *societies' own advance programmes.* In 1980 bank lending accounted for about 9 per cent of net advances and little more than 5 *per cent of* total balances outstanding. But the figures have been rising since *and look set to continue upwards for the forseeable future.*

The societies have at times found themselves accounting *for around 90 per cent of the* mortgage lending sector but at present their share appears to *have fallen to about 80 per cent* of net advances. Some building society executives believe that within a *few years* the figure could be as low as 60 per cent.

The question which the *societies would like answered* most of all is whether the banks' activities constitute any*thing* more than a *short-term* reaction to a climate in which their traditional lending busi*ness has been badly hit. Are* they here to stay or here to pass the time?

The banking sector's encroachment into the housing mortgage market is not an entirely new development but previous courtships have been generally short-lived, half-hearted affairs which have themselves encouraged the *belief that such bouts of enthusiasm* are something to be tolerated until they work themselves out. The banks' intentions are, however, of the utmost importance, not least to the many potential borrowers who are currently being wooed by some very attractive *mortgage terms* but who should be equally concerned about the lender's *longer term commitment to his* customers.

According to the banks their past encounters with the mortgage business should not be used to suggest their present interest is a temporary one. The mortgage market, they insist, represents a useful and potentially profitable area of activity and they have no intention of abandoning it once their old corporate customers start knocking on the door.

Mortgages

MICHAEL CASSELL

The banks' stance does not cut ice with some societies, *which believe (perhaps hope)* that while their competitors may have been able to make profits on the high interest larger home loans with which *they were once normally associated,* they cannot expect the same sort of results on mort*gages which attract terms com*parable to (or better than) those of the building societies.

Most of the major banks, once little more than a source of temporary bridging finance for the home buyer, now offer *mortgage packages* on sums of anything up to £100,000 over the traditional building society *repayment periods. Some* have established identifiable mortgage rates in an attempt to assure *customers that their* loans will always be subject to special consideration and will *not become a helpless appen*dage to the banks' normal commercial rates.

Some of the banks are guaranteeing loans for customers who participate in *savings schemes* — so eliminating the uncertainty which can surround the granting of a building society mortgage — while the operation of a common interest *rate on all sizes* of loan makes their terms progressively more attractive *than those of the societies,* which charge more as the size of the advance increases.

As added attractions, some of the banks are slashing bridging loan commission fees to *customers* taking mortgages from them and, in line with the societies, are also planning to make valuation reports available.

The banks' performance in *processing* mortgage applications and making loans appears, however, to vary quite *considerably.* While some borrowers have been impressed with the speed and efficiency employed by certain banks in making mortgage money available, others have formed the *conclusion that* some lenders launched their campaigns for mortgage business *without first having established* a proper framework for their home loan operations.

Some of the banks admit there have been teething troubles because of the rate at which their mortgage programmes have expanded but they appear confident they are poised to take *a much bigger bite of the build*ing societies' business than many of the societies have *dared to imagine.*

But how will the banks promote the same sort of compassionate image *which* the societies have managed to foster? Will they even try? *The societies pride themselves* in endowing their business with equal amounts of commercial and *social* understanding and of constantly measuring their social responsibilities against everyday business considerations. *The description* might seem like so much pious talk but there is no escaping the fact that societies have *traditionally* made decisions to the benefit of the borrower rather than the investor and *have on occasions moderated* interest rate increases in a way which exclusively commercial *lending houses* might not have done.

In addition, the societies take a certain amount of *satisfaction* from their readiness to take account of any borrower's short-*term financial problems, to the* point of suspending repayments or allowing interest-only instal*ments. Repossession is regarded* as an all-round failure.

Can the banks be expected to take such a "softly softly" approach when borrowers run into problems? Just how much *more difficult* could life become for someone with a bank mortgage if the banks' enthusiasm *for the housing finance market* eventually wanes? Bank borrowers might also have to reconcile themselves to more frequent interest rate changes than might be the case for building society borrowers, though of *course a more* flexible approach to rates — something which the societies have themselves often *foreshadowed but not* implemented — can work for as well as against the borrower's interests.

Doubts about the banks' staying power are something which the societies — which are only *just beginning to show that* they are prepared to engage in outright commercial warfare — *have yet to turn* to their advantage. But if competitive pressures escalate and the societies find *their* business slipping away, they may be forced to change the habits of a lifetime and work that much harder at selling their own virtues while questioning those of others.

As if the future did not look challenging enough, the major banks — having established their lending *schemes* — now appear to be intent on tackling that other building society stronghold, the personal savings sector. The societies are facing attack on all fronts.

Confident of support for credit facilities

THE DECISION by Barclays *Bank to pull out of providing* facilities for in-store credit cards has not led to any real *loss of confidence in the pros*pective expansion of retailers' credit facilities.

The bank's Barclaycard division, which ran credit card schemes for 24 retailing chains and *for* the Co-operative Bank, decided in late June to phase out the facility because it was *failing to make a profit.* Barclays found that the cost of providing a specialist service to *each retailer* was not justified by the use made of the schemes in comparison with its Barclay*card operation.*

Other providers of credit card facilities, however, have been *quick to step into the breach.* In addition, the Co-operative Bank has decided to take over *the* operation of the Co-op movement's Handycard scheme itself, following the Barclays withdrawal.

The speed with which the retail trade has introduced its *own* credit card facilities over the past few years is a prime example of its ability to cope with change and react quickly *to developments.*

Even so, retailers' alacrity in embracing "plastic" money has *come as a surprise to many* people. But once the floodgates were opened by one or two *major retailers it was inevitable* that the bandwagon effect would ensure that the trickle of available credit cards would soon become a flood.

For a number of years menswear *retailers such* as Burtons and Hepworths have offered customers their own credit card type of *facility. Department* stores have also traditionally offered their customers special *credit facilities.* But now virtually every major High Street trader operates some form of *credit facility for customers.*

The retail card facility that has proved most popular with *retailers—and customers as well* —is the budget account card. Under this system the card-hold*ing shopper is able to borrow up* to some multiple of an agreed monthly sum.

The minimum payment is usually at least £5—and there is often a maximum payment as well—and customers are allowed, *for* example, 24 times this amount in credit. Customers agree to pay off a certain amount each month but there is nothing to stop customers paying off the whole amount.

With most cards interest is charged on a fixed date each month on the amount owed at *the time. With a few cards the* monthly interest is worked out on the amount owed each day.

*The importance of the expan*sion of credit facilities by retailers is that it has helped *mitigate the fall in consumer* demand resulting from the recession. Retailers have flirted *for some years with the tradi*tional credit cards such as Access or Barclaycard but have *previously held back from* wholeheartedly embracing them because of a reluctance to pay *the commission charged to the* store by the card companies on every transaction.

In addition, general credit cards do not exclusively link the cardholder to a particular store. (Conversley, this is one of the prime attractions of general credit cards to many shoppers).

*The major credit card com*panies were aware of the dilemma facing retailers, in *that they did not want whole*heartedly to embrace traditional credit cards, but at the *same time saw the need for* extra credit facilities to bolster sales during a recession.

The credit card companies—and other financial instutions —realised that the market

Retail trade

DAVID CHURCHILL

potential lay in providing the operational expertise for retailers' own credit cards. *Companies that* already operated credit cards could offer a lower cost (because overheads could be more widely spread) than retailers who operated their own scheme. One of the drawbacks of previous self-financed in-store schemes—such as those operated by department stores —*was that they were expensive* to operate since they tied up working capital.

The impact of credit card facilities becoming widely available at an economic cost was *felt in three main ways. First,* it led to their introduction in retail groups such as Woolworths which *were traditionally* regarded as down-market retail outlets. Secondly, it enabled *small retail chains to offer* their own credit facilities.

Thirdly it helped persuade the *supermarket groups* to allow the use of credit cards for purchases of food and drink. Previously the supermarket chains had steadfastly maintained that it would be a mistake to allow food and drink to be bought on credit, on the basis that since these were consumer goods there would be nothing for the credit company to repossess if *payment were withheld.*

The experience over years of operation by the big credit *card companies about the incid*ence of bad debts finally overcame such objections. It was found that the type of purchase was not directly related to bad debts.

Barclays, however, found that providing retail credit cards was an unprofitable business. Turnover among its 24 stores groups last year was about £10m, tiny when compared with *the £1.36bn Barclaycard busi*ness last year. The average amount borrowed by an in-store card-holder was also only about £100, half the average for a Barclaycard holder. But other banks such as National Westminster are sticking to their in-store schemes. NatWest runs *the Boots and Asda schemes* among others.

Other financial institutions will also be able to take up the business given up by Barclays. A number of specialist finance houses have been set up to deal with retail credit schemes. Welbeck Finance, for example, was formed *in 1980* from what used to be the wholly-owned card subsidiary of Debenhams. Already Cecil Gee, the menswear chain, has agreed to switch to Welbeck from Barclays.

But Barclays is still expanding its activities in some areas *of retailing.* Last month Barclays and the Mainstop superstore chain launched a test scheme called Supercash at Mainstop's Wymondham, Norfolk, store.

First customer to use Barclays Bank's Supercash computer-linked cash withdrawal service in Mainstop's Wymondham superstore was Mr Ken Brown (left), manager of Norwich City FC

At a counter just *inside the* store shoppers hand their Barclaybank card or Barclaycard to *the cashier and say how much* they want to withdraw. The shoppers will then enter their personal identification number on a key pad.

After a few seconds' delay *while the transaction is author*ised by the computer the shopper will be handed the cash and a receipt.

"Our network of Barclaybank machines has proved enormously popular," says Mr Seymour Fortescue, deputy *head of Barclaycard.* "Unfortunately the machines are very expensive—up to £30,000 each *including installation.* Supercash uses a much cheaper and simpler terminal; it is available *in a convenient place* and we guarantee that the service will be available all the time that *Mainstop is open.*"

Clearing banks show intense interest

Savings

TIM DICKSON

THE CLEARING BANKS, along with the Government, have moved aggressively into the savings field over the past year. Regular advertisements in newspapers and a flood of literature in bank branches reflect the clearers' increasing interest in attracting a bigger share of small and medium-sized deposits from the general public. A bewildering variety of new schemes has been dreamt up—or, as is sometimes the case, copied from building societies—so that while the banks may be succeeding in bringing in new funds the small saver is probably more confused than ever.

Until relatively recently, banks offered their ordinary customers little more choice than the standard seven-day deposit account. This combines more or less instant withdrawal with a rate of interest (currently 9 per cent gross in most cases) seldom generous compared with what the eagle-eyed saver can achieve elsewhere. Because of its convenience, simplicity and familiarity it is still by far the bank's most popular account.

The proliferation of new schemes (see table) can be explained by a number of factors. The building societies' inexorable growth during the 1970s is well known and well documented but though their gains were largely at the expense of the Government's market share (through a big decline in National Savings) the banks suddenly realised that they were making little headway. In 1974 the banks and building societies were roughly neck-and-neck, with total deposits of around £18bn-£19bn. By the end of 1980, whereas the banks had moved on to around £37bn, the societies had pulled away towards the £50bn mark.

As one clearing banker puts it: "We have introduced new savings schemes because we feared that over the longer term if we did not do something our freedom to lend could have been curtailed."

Recent developments have thus been a reaction to ever-sharpening competition from building societies and the Government, which last year (1980/81) attracted almost £2.5bn of new money from the personal sector and this year (1981-82) has a total of at least £3.5bn in its sights.

Some say the banks were also encouraged by the ending of the corset, which penalised those whose eligible liabilities fell outside a certain range. High nominal interest rates have meanwhile encouraged more bank customers to move money off current account so that in part the new savings schemes have served as a defensive strategy.

The success of the bank's policy is difficult to judge, mainly because most of the banks are somewhat coy about disclosing their hand. Barclays says it has pulled in a total of £250m from the Bonus Saving Scheme (launched last September), the Investment Accounts (also last September) and the Mortgage Savings plan (June 1981). Some of this has presumably been switched from current accounts but how much Barclays will not say.

Whatever the attractions of the clearing bank mortgage schemes which on current rates at least are often a better deal than those available from the building societies—the clearing bank savings schemes do not as a rule look particularly mouth watering beside what the societies have on their shelf.

Building society subscription shares, for example, pay 9.75 per cent net at the moment—equal to almost 14 per cent gross—and even the ordinary share rate of 8.5 per cent is the equivalent of more than 12 per cent. To put this in context, the differential between the banks' 7-day deposit rate—the retail rate on which others are often based—and money market rates happens to be unusually wide at the moment.

By now the banks have, as the marketing men would say, "filled most of the gaps in their range." Regular savings schemes, for example, have been introduced which in some cases (viz., Lloyds' Cashflow and Midland's Personal Credit Plan) are linked to a borrowing facility. There are schemes for lump sums and most recently schemes which tie in a guarantee to home loan funds at the end of a specified period. All the banks are now showing considerable interest in the mortgage market, not least because it introduces them to new customers who in turn are likely to need other services such as insurance, personal lending and even perhaps investment advice.

Barclays and Midland have a Mortgage Savings and Mortgage Deposit plan respectively, as does the Co-operative Bank, which was first off the mark with this idea in the middle of June. A special feature of the Co-op scheme is that savers can be sponsored by, for example, parents or grandparents, who themselves agree to save in a special savings account.

Under the Co-op's Guaranteed Home Buyer Mortgage scheme individuals must initially invest at least £250 and agree to deposit between £50 and £250 each month thereafter for two years. The guaranteed mortgage is equivalent to four times the total amount saved, including interest.

The wide variety of special schemes may well provide a better deal for bank customers who have finally been jolted into doing more with their money than simply keeping it on current account. The increasing number of refinements, however, is confusing. As one banker confided, "If you bring out something new, it does not really matter whether the terms are particularly brilliant or not. Some of these plans are simply variations of a theme but with a slight modification or change of name you can usually pick up a few new customers."

There is more to it than that but it is unfortunate the banks' marketing zeal, like that of the building societies, is having such a bewildering effect.

WHAT THE BIG FOUR HAVE TO OFFER

	Name of Account	Description/Conditions	Current rate of interest* (% gross)
Barclays	Bonus Savings Scheme	Save not less than £10 a month for at least 12 months	11
	Investment Accounts	Fixed rates paid over 3 and 6 months for sums £5,000-£50,000	13¼ (3 and 6)
	Mortgage Savings	Regular savings of not less than £100 a month for 2 years. No withdrawals but guarantee at end of home loan	11
Lloyds	Cashflow	Regular savings of £20 minimum a month. Separate chequebook. Borrowing limit up to 30 times agreed monthly savings contribution. (Maximum £2,000)	8
	Special Savings Plan	Regular minimum of £10 a month for at least 1 year. Half-yearly withdrawals	11
	Option Deposits	Sums £2,500-£100,000. 2-7 years. Guaranteed loan of 90 per cent of deposit to meet unforeseen needs	11-12
Midland	Bonus Savings Account	Minimum £10 a month for 1 or 2 years	11 (1 year) 11½ (2 years)
	Personal Credit Plan	Monthly savings minimum £10. Borrowing limit equals 30 times agreed amount (max. £2,000)	9
	Holiday & Christmas Clubs	Same as above except borrowing limit 12 times	9
	Mortgage Deposit	Minimum £60 a month for 24 months. At end guarantee of mortgage 5 times savings total (including interest)—maximum £30,000	9
	Capital Investment	Minimum £2,000, maximum £20,000. Fixed terms 3 months to 2 years	12½-13½*
NatWest	Investment Accounts	3 and 6 months' notice for £2,500-£50,000	11½ (3 months) 12 (6 months)

* Rates on September 11

Industry awaits decision on Monopolies Commission report

Credit cards

ALAN FRIEDMAN

CREDIT CARDS are big business. Those little bits of plastic which you use to pay for a tweed jacket in the Liberty sale are such a big business in the UK these days that no serious banker can afford to ignore them.

There are today more than 150m credit cards in circulation around the world and the annual sales volume is well over $100bn. In the UK, where annual sales are estimated to be worth around £4bn, there are at least 12m cards in circulation.

The use and number of credit cards in the UK has grown significantly over the past decade and there are several reasons for this. Although the UK still remains a cash-based society for most consumers, new shopping patterns have emerged.

Around half the adult working population of Britain is still paid in cash and less than 60 per cent of them have a bank current account. Nevertheless, the convenience and cultural acceptability of credit cards has grown. Between 1967 and 1977 the number of cardholders among Britain's adult population grew from near zero to 13 per cent. By 1981 it was above 20 per cent.

The average British consumer has several choices in selecting a source of credit. Bank overdrafts remain a major source but there are also personal loans, retailers' accounts, retailers' credit schemes, hire purchase and more.

Clearing banks in the UK tend to provide, directly or indirectly, almost all consumer credit facilities. Credit card transactions, as a percentage of total purchases, actually account for less than 5 per cent of all transactions.

The UK credit card market is dominated by two large organisations — Access and Barclaycard. Access is the joint credit card service of Lloyds Bank, Midland Bank, National Westminster Bank, Williams and Glyn's, Clydesdale Bank and the Royal Bank of Scotland. Also included in the Access family is the Bank of Ireland and the Northern Ulster Banks.

The Joint Credit Card Company (JCCC) of Southend-on-Sea provides these banks with the central services of marketing, promotion, advertising, authorisation and retailer facilities, data processing, accounting and similar services. It employs over 2,000 people in Southend, London and 12 area offices. The Access operations centre processes more than 2m sales vouchers each week and deals with as many as 25,000 retailer inquiries every day.

Barclaycard is the subsidiary of Barclays Bank, which is tied to Visa, the international payment systems group. In a similar way, Access has a relationship with MasterCard, the other major payment systems company.

Visa has its name on cards distributed by Barclays Bank, the Yorkshire Bank, the Bank of Scotland, the Co-op Bank and the Trustee Savings Bank.

In the Access family there are around 5.1m cards. NatWest has the largest number of cardholders, with 40 per cent of all Access cards, or around 2.04m cards. Next comes Midland with 30 per cent and then Lloyds Bank with 25 per cent.

Access cards are accepted at around 167,000 merchant outlets in the UK and at more than 3½m outlets around the world; the international dimension is a function of Access's membership in MasterCard.

The Visa UK cards are accepted at 164,000 merchant outlets in Britain and around 3.15m outlets around the world. Visa cards number 7.2m in the UK, with Barclays Bank issuing the overwhelming majority (more than 5m).

The Trustee Savings Bank (TSB) has 1.5m card-holders of its TSB Trustcard and turnover based on these cards alone last year totalled above £100m.

TSB provides a good case study of how credit cards can grow within the banking system. In 1980 Trustcard was the fastest growing credit card in the world, increasing from 500,000 cards to 1.1m cards by the end of last year.

Trustcard's 1.5m cardholders represent 50 per cent of the bank's current account customers, not a bad ratio given that the card was only launched in November, 1978.

Mr Ian Lindsey, marketing manager for TSB Trustcard, says he is hoping for a 75-80 per cent penetration of TSB's current account customers by 1985. But first the card group has to break even.

"We made a loss of around £4m last year," says Mr Lindsey. The loss related to heavy start-up and overhead costs which make the cost of each transaction fairly expensive for the bank. TSB Trustcard's cumulative losses since 1978 run to £6m.

Mr Lindsey says he expects TSB Trustcard to break even within "the next 24 months."

He attributes a large bulk of the problems to a December 1979 request by the Treasury (TSB is under Treasury, not Bank of England, control) not to advertise the cards. "They asked us not to undertake any media advertising outside of our branches. We have operated under a competitive disadvantage."

This is because Access and Barclaycard, which received a similar request from the Bank of England, interpreted the request to mean not advertising on television. Elsewhere Access and Barclaycard do advertise and Mr Lindsey reckons this has been an enormous aid. "The ban on advertising pushed back our break-even date by a year," he adds.

Meanwhile, Barclaycard is said to have earned between £10m and £15m last year on its turnover of around £1.4bn.

Earnings aside, there is definitely an image problem with credit cards. Many Europeans see the credit card as the ultimate example of a cultural bastardisation wrought by the U.S.

German bankers in particular fear the inflationary pressures of too much easy credit. In Britain the Monopolies Commission has studied Access and Barclaycard and has reached some tentative conclusions.

In September 1980 the Monopolies Commission said that credit card companies should allow traders to charge different prices for cash and card customers. The report also criticised the way credit card companies exchanged information about rates of interest paid by cardholders.

The report, spurred by complaints about cash discounts at petrol stations, has become a controversial issue in the UK credit card industry. By July of this year the Government appeared to be having serious doubts about implementing the principal recommendations of the Monopolies Commission report.

The report put the Government in an embarrassing position. If it implements the main recommendations this will lead to a rise in prices for some credit card users which will be politically unpopular. On the other hand, it is virtually unknown for the Government to overturn a Monopolies Commission recommendation.

A decision is expected at some point after the House of Commons resumes session. But Mr David Russell of the Joint Credit Card Company believes many garages have already "jumped the gun."

"They have jumped the gun by starting surcharging. While the Monopolies Commission thought that a surcharge was in the public interest, I think it is inflationary." Mr Russell maintains that non-discrimination between cash and card customers is the best approach.

He says that Access cardholders may have paid out around £2m in surcharges during the last year. "The recommendation goes contrary to the public interest," he concludes.

Whatever the Government decides to do, and no doubt it will seek a compromise if possible, there can be little doubt that credit cards are here to stay.

Whether they have been good or bad for British consumers, credit cards are now a fact of life. With the growth of retail banking in the UK and elsewhere, banks are now taking a more active role in devising plastic card policies.

The world market in credit cards and in other types of cards such as the upmarket American Express "travel and entertainment" card is undergoing a major reshuffle. New products come onto the market frequently and, outside of the UK the leviathans of the card trade — Visa and MasterCard — are locked into a fiercely competitive battle with each other, with American Express and with others.

The problem for the British consumer is that while credit cards may be a convenience or even a psychological panacea for financial worries, they do tend to cost more money than cash (as interest charges are paid on top of the original purchase price). From a consumer's point of view anything which makes the cost of a purchase more costly cannot be terribly healthy.

Clearers' dilemma: how to play fair

Bank charges

TIM DICKSON

CERTAIN RETAIL bankers now admit privately that the days of an interest-bearing current account may be fast approaching. Only Barclays' Mr Brian Pearse has gone on record as saying that he thinks it inevitable—he does not venture to suggest which bank will be the first—but when as now seems likely one of the big clearers sooner or later breaks ranks the others will almost certainly follow quickly.

Events so far this year have arguably brought forward such a development, which some customers ought to welcome but which a majority of bankers will probably accept only with reluctance. A common interpretation of this month's big news—Barclay's controversial decision to impose a 50p charge for cashing the cheques of customers of its competitors—is that the bank is attempting more directly to recoup costs where they are incurred.

At the moment nobody denies that bank charges (direct debits, standing orders, for example) fail to pay for the actual cost of the particular services. In practice the balance is made up by the interest banks earn by investing the current account funds of their customers.

Each bank has a minimum balance which individuals have to keep in their accounts in order to avoid charges. These range from £100 at Midland and Lloyds down to nothing at all at some of the smaller banks such as the Co-op Bank, Yorkshire Bank and Williams and Glyn's. Customers whose balances at any time dip below this minimum immediately incur charges for the *entire* quarter, though as the banks are always at pains to point out, these can be offset by a notional interest allowance.

Notional interest is calculated at a specified rate (currently ranging from about 7 to 8½ per cent) on balances over the minimum but it is important to remember that it is only notional and cannot be credited if the interest exceeds the charges. Nor can notional interest be carried forward to be offset against charges in subsequent quarters.

In their defence the banks point out that the present system allows the majority of their customers effectively to enjoy "free" banking—National Westminster puts the figure as high as 70 per cent with the others mostly well over 60 per cent. Some bankers also argue that notional interest is free of tax and that customers would not actually welcome cash in hand (in other words interest on current account) for which they would be answerable to the Inland Revenue.

Nevertheless, although the present system softens the blow for some, it can only do so at the expense of those who (foolishly perhaps) keep large current account balances and do not make much use of services provided by their bank. They would surely welcome a system where you pay for what you get. The dilemma for the clearers is that while interest-bearing current accounts would be fairer and represent an excellent marketing coup the consequent increase in bank charges (effectively to pay for it) could be alarming for many consumers.

A look at the wide variety of accounts now offered by the banks shows that one or two are already creeping towards the interest bearing current account concept. The Lloyds Cashflow account admittedly requires a regular monthly saving of at least £20 a month but a separate cheque book and Cashpoint card are issued to the customer and interest is paid.

In Scotland the Royal Bank of Scotland has successfully pioneered its Cashline Deposit Account which gives customers instant access to their money through the bank's 160 Automatic Telling Machines (ATMs) and also pays a generous rate of interest.

Instead of the old passbook which was issued to depositors Royal Bank customers now get a Cashline plastic card which they can use to obtain money. Withdrawals up to a limit of £100 a day are free of charge and in addition each time the customer uses a machine he gets a statement itemising the last six transactions and showing the current balance. Customers, though, do not get a cheque book and the only charge is 25p for standing orders.

The big development in recent weeks, however, has been Barclays' decision to end the free reciprocal arrangement whereby a customer of Midland, National Westminster, Lloyds and indeed any of the smaller banks could walk into one of its branches and cash a cheque for nothing.

Earlier this year the banks voluntarily decided to end the multilateral arrangements under which this reciprocal service had for years been carried out and replace them by a series of bilateral agreements. This came after pressure from the Office of Fair Trading (OFT) which privately made it clear that it thought the multilateral arrangement was a restrictive practice.

Although the OFT threat was certainly one catalyst, cost pressures according to Barclays were already making charges for reciprocal services look likely.

Since June indeed all banks have for the first time been charging customers of their rivals (usually 30p) for the handling of third party credits, or giro credits as they are known. This was largely as a result of lobbying by public utilities such as the gas and electricity boards which until then had been picking up the not unsubstantial cost of processing third party credits.

Many observers, however, were surprised when Barclays went a big step further and announced the 50p charge for other banks' cheques.

Barclays said at the time that it cashed an estimated 24m cheques a year for *other* banks while they only cashed about half this number for Barclays customers. Others queried these figures and though nobody knows precisely, Midland, which followed Barclays' lead recently, says that from its research it is clear that the number of branches owned by each bank do not reflect the volume of reciprocal work each carried out on the others' behalf.

Giving its reasons Midland said that settling the cost of reciprocal services imposes a further charge which has had to be passed on to their customers. The charge, it claims, will also cut down queues and encourage the development of new branches.

Midland's move is particularly significant since it is a member of the Cheque Guarantee Card scheme along with Lloyds and National Westminster. (Barclays is not. Midland, though, says it will still honour the agreement, if at a price.) National Westminster—which despite having more branches than any of the others (3,200) is surprisingly perhaps leading the opposition—has expressed disappointment and it remains to be seen whether the resistance to Barclays will now crumble. NatWest's argument is that the 50p charge is a bad advertisement when all the banks are trying to attract new customers. The other banks will certainly have to reconsider their position to see if they should fall into the Barclays line.

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BARCLAYS

Cashless society far away as paper transfers rise

THE CLEARING banks' money transmission operation—distributing cash, processing cheques and standing orders, etc—is very much the Cinderella of the banking system.

It is estimated that this side of the banks' business loses upwards of £700m a year and over two-thirds of a typical clearing bank's domestic staff is directly connected with the humdrum operation of shifting cash and paper around the country to satisfy customers' payments needs.

The economy may be stagnating but the amount of paper passing through the banking system climbs remorselessly. Last year nearly 2bn cheques were handled by the banks, twice as many as 10 years ago, and the forecasts are that the number could climb to 2.7bn before the end of the decade—equal to 11½m every working day.

Cheques account for close to two-thirds of the transactions handled by the banks' money transmission services but other paper-based items, such as credit transfers, are also increasing rapidly. Last year the London and Scottish clearers handled 436m credit vouchers, roughly equal to the volume of cheques handled 20 years ago.

In the 1960s bankers used to talk about the advent of the "cashless society" as if it were just around the corner. In fact it is as far away as ever and although methods of electronic funds transfer have made some progress, the volume handled is still small in relation to the banks' total money transmission services.

The Bankers Automated Clearing Services (BACS), which handles transactions on magnetic computer tapes, processes over 400m transactions a year—mainly salaries and pensions paid by automated credit transfer and insurance premiums and mortgage payment paid by standing order and direct debit. However, BAC's volumes are going to be overshadowed by paper-based transactions for a long time to come.

The use of credit cards as a means of making payments instead of by cash or cheque has also grown in popularity but in terms of the total transactions credit cards are still very small beer. In 1976 the Inter-Bank Research Organisation (IBRO) estimated that 70m transactions were handled by credit cards and estimates suggest that the number could top 400m by the late 1980s.

An additional problem with credit cards is that they often create more paper for the banking system than alternative instruments such as cheques, since one transaction originates several pieces of paper—although the customer can settle his total monthly transactions with a single cheque.

Despite the growth of BACS and credit cards, the banks are very much aware that something like 95 per cent of all transactions in the UK are still made in cash, and paper-based systems (cheques, credit transfers, etc.) are going to continue to play the major role in non-cash transactions.

As a result, after years of neglect, the banks are now trying to get to grips with the problems facing them with their money transmission operations. Their task is not an easy one. Money transmission is one of the most labour-intensive operations of a bank, and the rapid growth in volume is requiring heavy investment to maintain the standard of service expected. Most recently

Money transmission

WILLIAM HALL

they have decided to automate the bank giro system to cope with the expected rapid growth.

The banks face an added problem in that they have traditionally undercharged their customers for money transmission services, recouping the costs via their earnings on idle current account balances. With increased competition for current account balances from institutions such as building societies the banks are now finding that their sources of cheap funds are disappearing.

Even worse, some bankers are conscious that one day interest rates could fall sharply and that the banks would then be faced with the need to service an expensive branch network, providing the country's money transmission network, yet might be unable to recoup the costs via earnings on idle current accounts.

For these reasons the senior executives of Britain's big clearing banks are now giving considerable attention to their money transmission operations, and this is leading to some far-reaching changes.

In the past the banks have looked upon their money transmission operations as much more of a service to customers than as a profit (loss) centre in its own right. This was evidenced by the fact that the banks co-operated with each other, and allowed each other customers to use each other's branches on a reciprocal basis at no extra cost.

This long-standing tradition is now being reappraised. Barclays Bank set the ball rolling when it announced last May that it would start charging 50p to non-customers that used its branches for the service of cashing personal cheques.

Midland Bank has now followed, causing a rift between these two banks, and Lloyds Bank and National Westminster Bank, both of which were prepared to cash other banks' cheques for free provided their customers were afforded similar facilities.

Both banks are conscious of the increased competition from smaller institutions such as the Trustee Savings Banks and Williams and Glyn's and feel that these competitors have a distinct advantage in that they do not have to carry the heavy overheads involved in maintaining large branch networks. This enables them to underprice their money transmission services.

So long as all banks cashed each others cheques for free and enabled customers to pay in credit transfers at any branch the small banks could compete on equal terms with the big banks. This co-operation is now disintegrating as the banks begin to flex their competitive muscles in the money transmission field.

In a related move the big banks are also starting to tackle the thorny question of who should pay for the country's money transmission service.

COST OF MONEY TRANSMISSION SERVICES

		BANK CHARGES						
	Outlets	Minimum balance free banking (£)	Automated (p)	Other* (p)	Notional allowance (per cent)	Giro credits (p)	Proportion of customers enjoying free banking (per cent)	Cash other banks' cheques (p)
NatWest	3,220	50	12	18	8.5	30	70	Free§
Barclays	2,991	50	17.5	17.5	7	30	67	50
Midland	2,461	100	15	20	6.5	30	67	50
Lloyds	2,298	100	20†	20	8	30	66	Free§
Royal Bank	602	50	10	15	7	30	65	"
Bank of Scotland	569	50	10	15	7	35	NA	"
Clydesdale	376	Nil	10	14	6	30	60	"
Williams & Glyns	314	Nil	10	20*	7	30	NA	"
TSBs	1,684	50§§	10	10	—	25	67	"
Co-op Bank	1,004	Nil	12	12	—	—	90	"
Yorkshire	202	Nil	18	18	7	30	NA	"
Nat Giro	22,000	Nil	30	30	—	30	100	—
Coutts	17	1,000	‡	‡	—	30	67	Free§

* Credit items free, except for Williams and Glyns. † Cashpoint charge 15p. ‡ Charges depend on number of entries. § Except for Barclays' and Midland customers who are charged 50p; §§ Nil in Scotland.

Money Transmission Activity 1976

Market share non-cash payments

	No. (m)	Per cent
London clearers	1,970	81
Scottish clearers	155	6
Post Office/Giro	200	8
TSBs	35	1
Co-op Bank	25	1
Other	45	2
Total	2,430	100

Types of non-cash payment

	No. (m)	Per cent
Cheque	1,580	65
Credit transfer	330	14
Standing order	180	7
Direct debit	110	5
Postal order	160	7
Credit card	70	3
Total	2,430	100

Source: IBRO.

This debate has never been properly aired and the banks have a number of grievances. At one level they are the main source of distribution for the country's cash, a service to the community for which they are not properly paid.

Midland Bank, for instance, handled £25bn in cash through its branches last year. It operates 20 cash centres and has to provide security and transport as it shunts the money around the country—an operation duplicated by the other big banks.

The second level where the banks are now rethinking their approach is in the whole area of pricing their money transmission services for customers—both personal and corporate.

They argue that whoever benefits should be prepared to pay the proper cost and there is evidence that they have been massively undercharging on their basic money transmission operations for decades, since they only recoup about a quarter of total costs through charges.

Aside from reviewing their charging policies, the banks are also upgrading their basic bread-and-butter service of getting cash into their customers' hands. Despite all the talk about the imminent arrival of the cashless society, the amount of cash in circulation continues to grow. Over £10bn of notes and coin is in circulation at present, compared with less than £5bn in 1973 and under £3bn in 1963.

To improve their ability to provide customers with cash, especially outside banking hours, the banks have been investing heavily in cash dispensers. But these are expensive items and the banks are now facing problems in getting sufficient clean notes from the Bank of England to fill the machines.

Further down the line the banks are working on the day when customers can replace their cheque books with debit cards which they can use at "point-of-sale" terminals in retail stores. The technology is available but the problem is one of cost plus deciding who will shoulder the burden. These two problems are going to figure prominently in the development of the UK's money transmission services over the coming decade.

Period of frenetic activity and change

Merchant bank top teams

CHRISTINE MOIR

ONE OF the key indicators to levels of activity and change in the merchant banking world is the turnover of senior staff. Above all, what merchant banks offer to clients is personal service; so changes in the mix of services any one house offers as specialities, or an increase in competition among the houses, tends inevitably towards the poaching of high-powered specialists and reshuffles in senior teams.

Judged by that criterion the past 12 months has been a time of frenetic activity and change. So great has been the change in personnel that it is almost easier to measure it by those houses which have remained nearly unchanged than by those which have been playing musical chairs.

Furthermore, even among the houses where change has so far been negligible rumour abounds of changes to come within the next year, following on the heels of key shifts in policy.

The small accepting house Singer and Friedlander, for instance, made the transfer from the stable of Bowring, the insurance group, to Euroferries, the shipping and property group, just on a year ago without any apparent strain. The bank remained a separate self-contained entity as it had always been.

But two months ago Singer spent $480,000 on buying Balfour Securities, a U.S. stockbrokerage house formerly owned by jobbers Akroyd and Smithers. The bank then injected a further $1m of capital into Balfour.

Does this indicate a change of direction for Singer which will lead to additions to the senior team? Chairman Mr Tony Solomons is cautious in describing the acquisition as a "one off"—bought because Singer liked the opportunity it brought. But he also admitted that the bank is in acquisitive mood.

So is it too with Robert Fleming's decision to take over control of Save and Prosper, the unit trust and insurance group which has long been an associate. The only major personnel change at Fleming has been Mr Joe Burnett-Stuart's promotion to chairman and that was a natural change in succession when Mr Bill Merton retired. The betting now, however, is for more changes at senior level.

Morgan Grenfell has remained a stable organisation for some time in staff terms. After two years secondment to head the City Takeover Panel, Mr Graham Walsh was able to return to his old job heading corporate finance in Morgan Grenfell in July.

But change looks on the cards in that house also. In May Morgan Guaranty decided to sever the 130-year-old link between the U.S. Morgan banking family and the UK house. Both sides had been fretting under the competitive constraints their association had imposed. Morgan Grenfell set up a corporate finance and investment division in New York in April and the parting was under way. Now the UK house has freedom to expand where it wishes, major appointments are expected.

So much for the future. In the past year, though, three houses in particular have been undergoing reshuffles from top to bottom.

Charterhouse Japhet was the first to begin, following the take-over of Keyser Ullman. Mr Derek Wilde, KU's chairman, remained for a while as caretaker of the newly enlarged bank but after the emergence of Mr Geoffrey Rowett as his successor the changes came thick and fast.

CONTINUED ON NEXT PAGE

Developments in public sector banks

BY WILLIAM HALL

'Leader in personal banking'

THE LAST six months have been an unusually busy time for Britain's 16 Trustee Savings Banks (TSBs), which claim to be "one of the fastest growing banking groups in the country."

In April they finally took control of United Dominions Trust (UDT), relieving the bank of England of one of its biggest problem children. In July the TSBs were given permission to move into medium-term commercial lending and last month they announced a string of new appointments including that of what is believed to be the effective successor (Mr Philip Charlton) to Mr Tom Bryans, the chief general manager of the TSB Central Board, the group's main policy-making and regulatory body.

With over 8m personal customers the TSBs have a fifth of the personal banking market and a potential customer base which is the envy of their rivals. But the big problem for the TSBs is hanging on to these customers. Their share of the market has been slipping in recent years, partly because they have lost some of their obvious attractions such as the tax free status of their savings accounts and, more important, because of the much more competitive environment among the country's High Street banks.

As the clearing banks increase their efforts to win more personal banking business, their eyes naturally turn to the TSB's lucrative customer base.

The TSBs have a number of things going for them. They have an unusually large and loyal personal cutomer base, given the fact that their 1600-branch network is roughly half the size of the big banks' networks. In addition they are not under the same profit constraints as private sector banks which have to pay dividends to shareholders.

On the other hand, the TSBs have a number of disadvantages, of which the most immediate is the near £1bn of TSB funds tied up with the National Debt Commissioners and earning a meagre 7¼ per cent per annum. Mr Bryans describes this as a "hell of a sea-anchor" which costs the group £50m a year in lost earnings.

The other problems facing the TSBs centre around the relatively small size of their branch network, for a group with such a large share of the market, and the inability to call on outside capital to support the growth needed to rebuild the TSBs' market share.

The problem of a relatively small branch network is one the TSBs face in common with the other smaller High Street banks. The clearing banks are abandoning their old co-operative agreements, which enabled customers to use the facilities of any bank at no extra cost. This favours those banks with bigger branch networks, since the customers of the smaller banks have far fewer outlets they can use free of charge.

Shortage of capital also poses a constraint on the TSBs' more ambitious growth plans. Just to maintain their market share over recent years they would have needed to increase the asset base by a third, to £10bn, and this would require an extra £200m of capital. In addition the TSBs intend to restore UDT's share of the consumer credit market from its current 6 per cent to its former 10 per cent. This will also need additional capital which will have to be provided from the banks' internal funds.

'King size bank at your post office'

AFTER SEVERAL years in the wilderness things seem to be stirring once again at the Post Office's National Girobank and it is poised for a major leap forward into the personal banking market.

With little publicity National Girobank has been hunting around the country for regional premises as part of its plans to get closer to its customers. Since it started in October 1968 the bank has been centred in Bootle, on Merseyside.

National Girobank now plans, however, to open seven sizeable regional offices, each of which will employ 200 to 300 people.

The first, in Birmingham, will open later this year and a second, in Liverpool's city centre, will open in early 1982. Others are planned for the South-East, East, North-East and West plus Scotland and will involve an expansion of over a third in National Girobank's staff over the next five years.

National Girobank's management is rather vague about what the new offices will do, but insists that it will not reduce the numbers employed in Bootle and stresses that it is part of a two-pronged attack on the corporate and personal markets. Whether the offices will operate like typical clearing bank branches with cashiers and banking halls has not yet been decided.

The bank has been highly successful in winning the business of corporate customers like supermarkets that want to transfer cash from their stores. Last year National Girobank handled over £21bn but the growth in number of transactions has slowed to 3 per cent a year and National Girobank is going to have to widen its services if it wants to continue to grow.

It has been allowed to join the banks' clearing house, which will enable it to shuffle cheques around the country more efficiently but this was not what National Girobank was set up for. Its original objective was to operate a rival and more efficient money transmission service to that of the clearing banks, and this was supposed to provide the base for the establishment of a new force in the personal banking market.

For reasons out of its control the bank had to concentrate on the corporate customer in its early years because this was the area where it could generate the sort of profits necessary to meet the Government's demanding financial targets.

Now that the National Girobank is exceeding its Government profit targets it can afford to reconsider its original objective and attack the personal market more aggressively. In particular it hopes to pick up a large slice of the workforce that is being switched from weekly cash wage payments to monthly bank credit transfers.

It promises free banking and can offer access to cash at over 20,000 post offices which are open beyond normal banking hours. If it can double its customer base to 2m then it should be able to start capitalising on its girobank transfer system, which is a much more efficient payment medium than the typical bank cheque since only one piece of paper is used. In Holland one in four people have a giro account, compared with one in 20 in the UK, which gives some idea of the market's potential.

'Your caring, sharing bank'

THE CO-OP Bank must rue the day it stopped paying interest on current accounts. If it had continued to pioneer this development—which the big banks seemed bound to follow sooner or later—it would probably have escaped the swingeing effects of the Government's windfall profits tax on the banks.

As it is the Co-op Bank was among the hardest hit of all the banks and around two thirds of last year's profits have been swallowed by the tax. Nevertheless, the bank—which is ultimately owned by 10m small co-operators up and down the country—has taken the setback in good grace and is continuing to nibble away busily at the edges of the personal banking market.

With only 70 full branches, under 1m customers and assets of around £700m, the Manchester-based bank is still regarded by the big clearing banks as very much in the junior league.

They would be foolish, however, to ignore the Co-op Bank. It might lack the capital resources of the major clearing banks and claim that it does not want to maximise its profits but it is an important innovator in the banking market.

Last year it moved into its new Manchester headquarters in Balloon Street and put the finishing touches to itse £7m operations centre in Skelmersdale. Both investments have swallowed up a considerable amount of the bank's scarce capital and depressed earnings, but they are the most visible signs of the bank's confidence in itself and its products.

The Skelmersdale development is especially important. The Bank has gone much further than any other clearing bank in stripping out the back-office work from its branches and centralising them all in one place where it can reap economies of scale and leave its branch staff to concentrate on serving the customers.

Aside from servicing the bank's 70 full branches, Skelmersdale provides the back-up operations for the 1,000-odd Handybanks which the bank maintains in the big Co-op stores. These outlets, which are open six days a week during normal shopping hours, can provide 90 per cent of the services of a full bank branch and are a powerful weapon in the bank's efforts to expand its market share. Skelmersdale also services the 3,500 cash-a-cheque points in Co-op stores where customers can get cash.

The other area where Skelmersdale is beginning to play a key role is in the bank's aggressive development of its in-store credit card, known as Handycard. This was launched in early 1979 and is well on its way to becoming the country's biggest in-store credit card.

Initially, much of the operation was processed by Barclaycard's Barclaycare operation but the latter is now pulling out of the in-store credit card business and the Co-op Bank has had to rush forward its plans to take over the operation. The Bank has 103,000 cards in issue and expects the number to rise to 500,000 within the next few years. The card is now acceptable in 2,000 stores accounting for around three-quarters of the near £4bn spent annually in Co-op stores.

Top teams

CONTINUED FROM PREVIOUS PAGE

Against all the bets Mr Rowett brought in a pure banking specialist, Mr John Hyde from Chemical Bank, to chair the merchant banking arm. Mr Malcolm Wells, who had been chief executive, decided it was time to move on. Shortly afterwards it was the turn of Mr John Turnbull, joint head of banking. Then Mr Phillip Ralph, head of the corporate finance division, was tempted away to GEC.

The changes at Charterhouse continued with a management buy-out of the small international businesses in Europe by Mr Guy Naggar, who also acquired at the same time the shell of Dawnay Day, the banking and investment group which had been absorbed by RIT (Rothschild Investment Trust).

The reshuffle will only be completed when Mr Victor Blank, at present a partner in one of the leading accountancy firms, joins to head the corporate finance department this month.

Samuel Montagu, the merchant bank which leads a slightly uneasy existence within the Midland Bank group, has had almost as great a series of changes. But this time there was no take-over to act as stimulus, just the departure of chairman Mr Philip Shelbourne to head the British National Oil Corporation.

Samuel Montagu had been structured with five deputy chairmen bur this was soon to change dramatically. Midland went headhunting outside the small closed circle of senior merchant bankers for Mr Shelbourne's replacement—as it turned out, with the specific aim of a drive for international business.

In came Mr Staffan Gadd, chief executive of Scandinavian Bank, and a Swedish national. Mr Gadd's brief—he is himself a Eurocurrency specialist—soon became clear. First he brought in Mr Derek Hughes, his deputy from Scandinavia Bank, as managing director. Then Mr David Potter, from Credit Suisse First Boston, joined to head the international capital markets operation.

Out went Mr David Hudson from the international banking side. And then Montagu lost one of its best known personalities, Mr John Gillum, head of the corporate finance department.

Mr Gillum moved to N. M. Rothschild, highlighting the enormous changes which had been going on in that house in the months since cousins Evelyn and Jacob Rothschild came to the parting of the ways.

Jacob set up on his own at RIT, which had taken over Dawnay Day, the small merchant banking group, but which was to make it plain that investment management through insurance linked and unit trust business was to be the speciality.

RIT has just completed its restructuring with the appointments of Mr John Stone from Vanbrugh as head of the Target Life business, and Mr Barry Sack, promoted to head the unit trust side.

Back at home at N. M. Rothschild, Evelyn was also restructuring. Mr David Secker Walker, head of corporate finance, was first promoted to a deputy chairmanship then left to head the investment arm of the Cayser Bank's Gartmore businesses.

Evelyn was looking for high fliers to strengthen the corporate finance image. The first audacious move was to poach Mr Michael Richardson from stockbrokers Cazenove, where he had been the most highly regarded corporate finance operator on the broking side. The coup was complete when Mr Richardson was joined by Mr Gillum, a close personal friend with whom he had worked on many take overs.

The first sign of the new duo's power came only weeks ago when the Malaysian Equity Corporation won control of more than 50 per cent of Guthrie Corporation in a series of market strikes, shareholder wooing and pre-emptive offer which took only three hours.

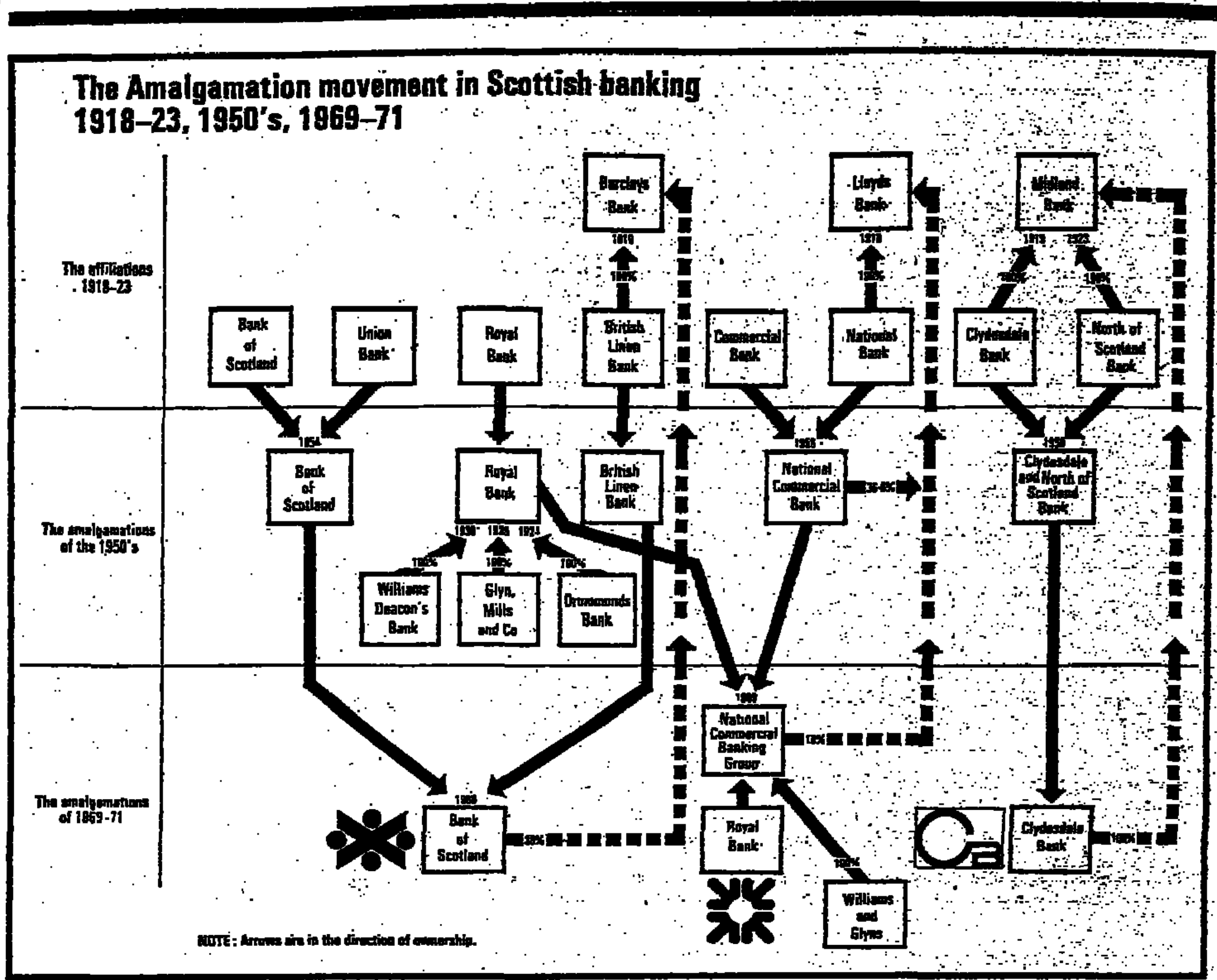
The musical chairs were not confined to these houses alone. Antony Gibbs, the small merchant bank which had been absorbed into the Hong-kong & Shanghai Banking Group, appointed Mr David McDonald, a former head of the Takeover Panel from the Hill Samuel stable, as chief executive. He too, has been reshuffling and enlarging the existing team with an eye of the vast potential for international money management offered under the new parent.

The foreign houses in the City have not been behind either in their internal maneouvres. Credit Suisse First Boston (CSFB), created through a joint venture by the two banks, has taken some time to settle down after the merger. Finally, after three years a new single stream has been formed, with the appointment of Mr Hans-Ulrich Doerig, a senior vice-president of Credit Suisse, as chief executive of CSFB.

The first departure from CSFB after its creation was Mr John Craven, who joined Merrill Lynch International as half of the high-flying duo Craven/David Montagu, who were expected to provide a focus for the Thundering Herd's London drive. Mr Montagu himself had come from Orion Bank after parting company with Montagu some time before.

Alas, the duo's stay was short-lived. The strict supervision of the London operation from New York proved too restricting. The two men left Mr Montagu finally to emerge in the RIT group. Merrill Lynch replaced them with Mr Donald Roth from Chase Manhattan, although originally from the ML stable, on the investment side. Mr Robert Williamson, already within MLI, moved up to head the banking side.

The merry-go-round is slowing down now for the houses which have been most in the news, but the City does not believe the impetus in the sector is any the less. Opportunity and competition are still at peak: the houses which have not already done so are now preparing their own internal personnel change lists.



Source: Scottish Banking, A History 1695-1973, S. G. Checkland

Ownership structure back in the melting pot

Scottish clearers

WILLIAM HALL

THE BID for the Royal Bank of Scotland Group has overshadowed the Scottish banking community since the spring and has thrown into question the whole future of independent banks north of the Border.

Scotland has always been very proud of its three banks—the Bank of Scotland, the Royal Bank of Scotland and the Clydesdale — all of which issue their own banknotes, a privilege denied English banks. Scottish banks have pioneered some of the major developments in the UK banking system, such as the overdraft and branch banking, and have always assumed an importance in the UK way out of proportion to their size.

The Bank of Scotland was originally regarded as a Jacobite bank and was founded in 1695, a year after the founding of the Bank of England. The Royal Bank of Scotland, which was always much closer to the authorities in London, was formed 32 years later and the banks have been close rivals ever since, although the Jacobite and Whig connections are now lost in the mists of time.

The Clydesdale Bank is a relative newcomer It was established over 100 years later in the days when Glasgow was booming. It has always been much closer to the Glasgow business community as a result.

It is also the only Scottish bank wholly owned by a London clearing bank — Midland. The latter acquired it in 1919, at roughly the same time that Barclays bought the British Linen Bank and Lloyds acquired the National Bank.

The stakes of the latter two English banks were subsequently reduced. Barclays sold British Linen Bank to the Bank of Scotland, acquiring a 35 per cent stake as a result, and Lloyds merged its National Bank into the Commercial Bank in 1957, reducing its stake to 37 per cent. This was diluted still further in 1969 when the Royal Bank of Scotland merged with the National Commercial Bank.

However, the ownership structure of Scottish banking is once again in the melting pot with the bid for the Royal Bank, Scotland's premier bank.

To understand why Scottish banking is once again going through one of its periodic upheavals it is necessary to look back to the beginning of the 1970s. This saw the development of North Sea oil off the Scottish coast line and the emergence of a much more competitive spirit among British banks, partly resulting from the introduction of Competition and Credit Control.

For as long as most people can remember, there had always been a tacit understanding between Scottish and English banks that neither would invade each others' territory, following the takeover just after world war I.

The Royal Bank was the one exception. At the Bank of England's request it had come to the rescue of the Lancashire-based Williams Deacon's Bank in the 1980s after the latter ran into difficulties in the textile industry and, in 1939, bought Glyn Mills, a sort of *banque d'affaires*, so that the young partners could go off to fight in World War II and not worry about death duties.

By the early 1970s, however, the tacit understanding between the English and Scottish banks was under pressure, mainly because a number of foreign banks were moving into Scotland to help finance the development of North Sea oil. Bank of America, the largest bank in the world, opened in 1971 and was followed by a flood of foreign banks into Glasgow, Edinburgh and Aberdeen.

The status quo was completely broken in November 1975 when National Westminster (the one English bank without any affiliate in Scotland) opened branches in Glasgow and Edinburgh. The other clearing banks followed, and the Scottish banking market was thrown open to all comers. Even the Midland Bank, owner of Clydesdale Bank, had opened its own office by 1977.

The impact of the increased competition has affected the Scottish banks in a number of ways. Scotland has traditionally been regarded as a market that is under-banked but over-branched. There are more than 1,500 bank branches in Scotland and the influx of new competitors has made it all the more difficult for the Scottish banks to earn the sort of returns they need to maintain this branch network.

If the average size of Scottish bank branches were to be increased to that of the English clearing banks, this could lead to nearly a fifth of Scotland's bank branches being closed.

Aside from the heavy costs of maintaining a bigger than necessary branch network (which the banks carry partly for social reasons in outlying areas), the Scottish banks have suffered from being tied to a very depressed part of the UK economy. The initial impact of North Sea oil on the Scottish economy has receded and one in eight persons in Scotland are now unemployed.

To reduce their dependence on a relatively depressed economy and counter the competition from the foreign banks and the English clearers, the Scottish banks have been building up their international operations and increasing their English business.

The Bank of Scotland has opened branches in New York and Hong Kong and representative offices in Houston, Los Angeles and Moscow. The Royal Bank of Scotland has also opened branches in New York, and Hong Kong, an agency in San Francisco and representative offices in Chicago, Houston and Los Angeles as well as buying a near two-thirds stake in a Singapore merchant bank.

The Scottish banks are no different from many other banks in the world that have tried to go international to reduce their reliance on a mature local market; this has led to fierce competition and poor margins.

Finally, the Scottish banks have begun to move into the English market and fight the London clearing banks on their home ground.

All three of them have always had London branches (for historical reasons) and these are being strengthened. The Royal Bank's English arm, Williams and Glyn's, has embarked on a much more rapid pace of expansion over the last year and Bank of Scotland is moving into the English provinces.

Despite these initiatives, the Scottish banks are conscious of their relatively small size and their vulnerability under the new competitive regime. In particular they are finding it difficult to make their mark on the international scene.

SCOTLAND'S TRIO

	Assets (£m)	Pre-tax profits (£m)	Net worth (£m)	Staff (No.)	Branches (No.)
Royal Bank	3,556	49.2	260	9,625	602
Bank of Scotland	3,568	43.3	238	9,252	569
Clydesdale	1,626	24.5	108	5,500	376

Source: Published balance sheets.

CORPORATE BANKING

Clearers' flexible approach keeps manufacturing companies solvent

A NUMBER of major UK manufacturing companies have in the recent past pulled their way through financial problems that would certainly have brought in the receiver during earlier years. The scale of the UK recession has helped to change the relationship between clearing banks and their industrial customers, and encouraged new attitudes towards the granting of bank loans.

Companies like Massey-Ferguson, BPC, Weir and Duport have received an exceptional level of support from the clearers and other financial institutions. Concessionary loans, and the conversion of bank debt into equity-type finance have been features of several financial reconstructions.

One indication of the size of the problem has been the much increased provisions made by the clearers against bad and doubtful debts. In 1980 the specific provisions of the five London clearers rose by £141m to nearly £436m. Taken together, their outstanding general and specific provisions amounted to 1.7 per cent of advances by the year end.

The banks have not been slow to claim credit for a more flexible approach to industry's problems. They all insist, however, that they have been under no political pressure to bail out lame ducks or to take uncommercial decisions. Evidence of this is the fact that their support for ICL, the troubled computer manufacturer, was conditional on the Government itself guaranteeing a large part of the debt.

In the early stages of the industrial crisis the Bank of England felt obliged to slap a few wrists in order to keep some of the more marginal lenders in line. But for the most part the Bank has stuck to its traditional role of "honest broker."

The reason why banks have in some cases, as one chairman put it, been "going beyond the bounds of normal banking judgment" is that they have had little alternative. As Mr John Davis, chief general manager of Lloyds, explains, "The clearers have a tremendous interest in the existence of the fabric of British industry."

Mr John Quinton, senior general manager designate of Barclays, has a similar view. "Social responsibility looked at over a long enough time span becomes a commercial necessity," he says. In the early 1930s Barclays took a deliberate decision to support the agricultural industry at a time when most farmers were on their uppers. "As a result, we have a lot of banking business from farmers today."

"Traditional banking yardsticks have had to be modified to cope with conditions in which troubled customers have been unable to offer fresh security. "We have had to make a decision a lot more often than in the past as to whether this company looks like a survivor whereas that company does not," says Mr Quinton.

This involves some very delicate judgments. To assess future viability, the banks have had to learn a lot more about the quality of a company's management, and the market in which it operates. In one or two cases, their support has been conditional on management changes. They have also had to take into account the likely repercussions of a bankruptcy on suppliers, customers and employees.

So the banks have had to take on new skills. Mr Michael Wallis, a general manager of Midland, accepts that there was a time when it might have been fair to criticise the clearers for their lack of industrial expertise. But, he says, "we are finding it increasingly sensible to recruit outside specialists and skills at all levels of management."

According to Mr David Trenbath, chief advances

Industrial rescues

RICHARD LAMBERT

manager of the National Westminster: "One big plus that has come out of this recession is that bankers have got much closer to the businesses they bank for."

The clearers actually started moving in this direction some years ago, when the disappearance of the corporate bond market forced companies to look for a much higher level of medium-term finance from their banks. This in turn obliged the lenders to take a much closer interest in sales and cash flow projections, and in questions of financial management generally. All the clearers agree that this process has been accelerated by the industrial crisis.

There is another reason for the banks' desire to get closer to their customers. A number of the companies which ran into financial difficulties turned out to have an extraordinary number of quite small lines of debt from a large number of different banks. In the case of Massey-Ferguson, for instance, over 200 were involved.

On a number of occasions even the biggest lenders to troubled companies seem to have been unaware of the full extent of the borrower's liabilities. And when trouble came it was much harder to organise financial support than would have been the case had their only been the interests of a lender to consider.

Things could be changing as a result of the recent traumas. Banks are now asking for—and getting—a lot more information about their customers' overall liabilities. And, says Mr Davis: "I think it quite possible that there will be some reversal of the trend by treasurers to seek at all times the cheapest form of funding towards a position where they will be more concerned with the continuity of their financing."

In a number of cases the clearers have been prepared to take on equity-type finance if that has turned out to be a necessary part of a financial reconstruction. But for most of the banks this is still a last resort. Their reluctance is partly to do with prudence—the view that this type of investment must be financed out of that most precious of the banks' resources: their free capital base.

Another worry, in the words of Mr Quinton, is that equity investment brings "responsibility without power." The presence of a major bank on a list of shareholders may give unwarranted comfort to creditors and still not leave the bank with any great deal of control over the business.

There is a very large grey area between those companies which obviously have no future at all and those which have run into purely temporary difficulties, maybe through little fault of their own. And there are obvious risks in interfering too strongly with market forces. For instance, by saving one company the banks might be putting intolerable pressure on its competitors in the same industry.

As Mr Trenbath points out, too, receivership can preserve jobs rather than destroy them. He cites the example of Fodens, which finally went down after years of struggle—and was quickly snapped up as a going concern by a U.S. bidder.

Another problem is that the trading position of a company can deteriorate too rapidly for its bankers to keep pace. This can be embarrassing. A recent example was Richards and Wallington, the plant hire concern, which went into receivership only weeks after announcing the terms of a financial support package.

In general terms, though, the clearing banks seem to have coped reasonably well with the upheavals of the last 18 months. Given the scale of the problem, plus its social and political repercussions, there have been relatively few occasions on which they have been accused of doing too little—or too much—to help particular companies.

The struggle is not over yet. "I don't think," says Mr Davis, "that we are going to see further very dramatic failures or rescue operations, unless the slight upturn in the economy turns out to be a false dawn."

The ups and downs of outside activities

THE PROFITS collapse reported by the Guinness Peat trading conglomerate a fortnight ago—pre-tax figures were down by 82 per cent at the end of April—is certainly no indication of how the merchant banking community has fared in the past year. In fact it has been a good year for all the houses, including Guinness Peat's own merchant bank, Guinness Mahon, whose disclosed profits rose by more than 20 per cent.

Guinness Peat's problems, as other houses have also found, arose in the non-banking activities. In this case it was commodity trading which came unstuck. For Hill Samuel it was the insurance broking side which stubbornly refused to come into profits. Hill Samuel, whose year ends just a month earlier than Guinness Peat's, showed an after tax profit rise of 46 per cent, but the merchant banking arm's disclosed profits were up by 54 per cent.

Most of the houses managed, if not increases of this size, then comfortable jumps of 30 per cent or more on pure merchant banking activity, and some—with special strengths in popular areas—did even better.

Arbuthnot Latham, for instance, produced a 23 per cent improvement on banking activities; Hambro showed a 35 per cent increase on merchant banking; Warburg about 30 per cent; Morgan Grenfell around 43 per cent; and Schroder Wagg also 30 per cent. Only County Bank, the National Westminster subsidiary, disclosed a downturn in profits on merchant banking, largely as a result of starting late in the game and having to chase growth at present in competitive markets.

Few merchant banking groups, however, concentrate solely on pure banking. The number of major specialities outside the traditional areas produces very different results at group level for each house. Guinness Peat has always had a large commodity trading business, which last year dragged the house down. Hambro, by contrast, was once again able to rely on a comfortable growth of about a third from its Hambro Life subsidiary.

Robert Fleming has been making hay out of its Far Eastern contacts through its associate Jardine Fleming, which with other associates, turned in profits three times higher than the year before. Kleinwort Benson has its bullion dealing arm, Sharps Pixley.

The merchant banking businesses within what are therefore well diversified concerns, remain highly important profit centres, but many of the houses appear to sense greater growth elsewhere in either pure banking or other associated areas.

Both Charterhouse Japhet and Samuel Montagu, for instance, two banks which have been restructuring their management teams in the past year or so, chose pure banking experts with strong international contacts, to head their senior executives. Hill Samuel, too, has picked its new leader from its international bankers.

But others have gone a different road. Singer and Friedlander, a small house which itself was sold from the C. T. Bowring stable and ended with EuroFerries, is looking down the international securities trading road. It recently bought Balfour Securities Corporation, a New York stockbrokerage house, from Akroyd and Smithers, the jobbers. The price was relatively small — $400,000 or so — but Singer immediately injected another $1m of working capital into Balfour.

Robert Fleming, which has always been more of an investment house than a banker, continues to strengthen that position, with the acquisition of full control of Save and Prosper, the unit trust group. The deal valued S and P at £41m but

Merchant Banks

CHRISTINE MOIR

Fleming placed all but 51 per cent in friendly hands and it had already had a sizeable stake before.

Morgan Grenfell is looking down the investment management and international corporate finance root, a decision which finally led to its parting from erstwhile parent Morgan Guaranty, after Grenfell had set up a corporate finance operation on Guaranty's New York doorstep.

Kleinwort's international aspirations in the past year appeared to centre on more traditional areas. It bought a small German bank, Martens & Werhousen, and became heavily involved in preparing the public flotation of Cable & Wireless.

Other houses also followed the traditional banker's path. Rothschild and Warburg are working on the Government's plans for public participation in British National Oil Corporation. Morgan Grenfell became adviser to the Ugandan Government in its attempt to rebuild its financial base. Schroder Wagg worked hand in glove with GEC to win the £650m contract to build Hong Kong's new power station. Guinness Mahon and Barclays Merchant Bank together instigated a consortium prepared to get satellite television off the ground in Europe.

Eurobond and Eurocurrency dealing has also been an important and growing area over the year, producing handsome dividends: but one field stands out as showing both immense opportunity and great competition—international investment management.

Professional securities investment has become a major industry with the opening of international markets to foreigners and with the birth of international interest among groups like American institutions which have not hitherto been much concerned with anything but domestic investment.

The London merchant banks believe themselves exceptionally well placed to capture international portfolios to manage. They have a long history of such management and London's position across the world time zones makes it a suitable centre for fast and professional dealings in, say, Japan for Middle East or U.S. investors.

Already the leading houses have made inroads on this new area. Morgan Grenfell, for instance, now has about $5.4bn of funds under management, $2bn of it in the international field. Warburg has linked up with Aetna Casualty, one of the large U.S. insurance groups, to use its retail network to provide introductions to potential international investors. Baring and Fleming have set up a portfolio of Japanese securities for the Saudi Arabian Monetary Authority, which is said to be expected to reach $1bn.

But the field is not the exclusive domain of the merchant banks. Others are beginning to graze there also. The merchant banks are in fact facing competition both from within and externally.

In the UK specialist investment houses such as Ivory and Sime and GT management are competing effectively for international funds to management. Furthermore, the major U.S. securities groups are moving into London, bringing with them the international tranches of portfolios which they already manage and the contacts ready-made at home.

This is particularly true of American groups such as Morgan Guaranty and Merrill Lynch, both of which now have more than $1bn under management in London.

In the U.S., competition is growing from the gradual reconstruction of the banking and securities industries — hitherto separated by law. The securities houses have been developing, through acquisitions and entrepreneurial flair, into "one stop" financial groups able to offer every service from share buying to insurance policies and now corporate finance and investment management.

The U.S. banking community is demanding the freedom to compete on equal terms and is pushing for a break up of the tight banking legislation which controls the services they may offer.

The London houses recognise the dangers inherent in this sudden surge of competitiveness and expansion among the domestic U.S. groups and are attempting to consolidate their positions in the U.S. as fast as possible.

The prize is vast. The U.S. pension funds alone have assets of about $600bn. As they begin to internationalise the London houses intend to have more than a fair share of these funds to manage.

Loans to small companies exceed expectations

THE AMOUNT of money being handed out by banks under the Government's new guarantee scheme for small business loans is now beginning to outstrip almost everyone's expectations.

By September 18 some 720 loans worth a total of £24m had been approved by the Department of Industry, and a large number of further applications were being considered.

This means that almost half the £50m allocated for the first year of the scheme has been used up in less than four months since the loans were started on June 1.

The Government now has to decide whether to let the figure of £50m be exceeded, possibly by allowing an overspill into the next £50m originally earmarked for 1982-83. It will also have to consider whether to shorten the life of the scheme. This was to have run as an experiment for three years, each year having a £50m allocation.

Now, unless there is a dramatic reduction in the number of loans approved, Ministers may be prepared to put the scheme on to a more permanent basis before three years elapse.

The rate of applications and approvals has steadily increased since June, despite the holiday period. In June, 65 loans worth £2.4m were approved. In July there were 188 worth £6.4m, and in August 284 worth £9.4m.

In the first two weeks of September alone there were another 183 worth £5.8m, bringing the total to 720 loans and £24m.

Of this total, 430 loans worth £13.7m went to new businesses, the remaining 290 (£10.3m) being lent to existing enterprises. Up to the end of August, manufacturing industry was accounting for more than half the total — £10.5m lent to 283 businesses — while 91 retail ventures took £2.6m.

Other services accounted for 156 loans worth £4.9m, while the construction industry had only seven loans worth £200.000.

At present there are 17 banks and institutions in the scheme, all of which have satisfied the Industry Department that they have considerable experience of lending to small businesses. Another 30 possible applicants are being considered by the Industry Department. They include foreign, regional, and merchant banks; but fewer than half are likely to be admitted quickly now that the scheme is running so fast.

The 17 include the Industrial and Commercial Finance Corporation (ICFC), Hill Samuel, and a number of major clearing and other banks: Barclays, Co-operative, Coutts, Lloyds, Midland, National Westminster, Williams and Glyn's, Yorkshire, Bank of Scotland, Clydesdale, Royal Bank of Scotland, Allied Irish, Bank of Ireland, Northern Bank, and the Ulster Bank.

The only well-known bank to have been turned down for lack of small business experience is the Trustee Savings Bank which, with the Co-op, was one of the first banks to urge the Government to introduce a guarantee scheme.

Under the scheme the banks lend up to £75,000 for up to seven years to small businesses. The Industry Department underwrites 80 per cent of the risk

Business loans

JOHN ELLIOTT

and the bank takes responsibility for the other 20 per cent.

The aim is to assess whether local bank managers have hitherto been too restrictive and unimmaginative when dealing with small businessmen who have high risk projects, who have no record of success, or who are unwilling or unable to provide personal guarantees as security.

Banks are only supposed to use the scheme for loans which would not otherwise be made, so providing what civil servants call "additionality" in their lending.

There is, however, some suspicion both in the City and Whitehall that not all the loans made so far fully satisfy a strict interpretation of "additionality" criteria, even though each bank manager, when making his application, has to state that the loan would not have been made without the guarantee.

Some institutions (notably the ICFC) are using the guarantee loans in place of other funding such as equity. Others (especially Barclays) are using them to boost the size of financial packages totalling up to £250,000. Some other banks, Lloyds for example, are usually linking the loans with overdraft facilities. This is partly shown up in the average size of the loans being made. The average overall is just over £33,000. But Barclays, which has provided more than 40 loans for the maximum amount of £75,000, has a high average of around £40,000 while Lloyds' average is about £35,000. The Midland's is only £28,000.

Barclays is well in the lead for the total number of loans so far. It decided before the scheme was launched to make maximum use of it and secured the first guarantee loan for a client within a day or two of the June 1 starting date. It now has nearly 180 approvals worth a total of over £7m.

Lloyds has about 160 worth £5.5m, followed by the ICFC with over 100 totalling £3.5m. The Midland has made a relatively slow start with only 100 worth £2.8m, but may now speed up a little.

Among the smaller banks, the Co-operative, which was admitted to the scheme only on August 3 and has a relatively tiny branch network, has eight loans totalling £250,000. It is processing a further batch which would bring the total to about £500,000.

There is some competition between the banks on the rates and the fees charged and this may increase soon. But it is too early to say whether small businessmen are really shopping around for the best terms or are approaching their usual sources of funds.

Lloyds, however, which has surprised other banks by running Barclays a fairly close second for total loans approved, may have stolen a march over its competitors by deciding to charge only 2 per cent above base rate.

National Westminster chose 2¼ per cent and Barclays and the Midland 2½ per cent, with most of the others in between apart from the Co-operative which entered at 1½ per cent.

The ICFC is the highest at 2¼ to 3 per cent, although it computes its figures differently and can go higher.

The actual interest paid by small businessmen is considerably more because the Government is charging 3 per cent on its 80 per cent guarantee, making an addition of 2.4 per cent.

The Government's income is intended to cover the cost of losses when businesses fail. It is collected quarterly by direct debit and is now amassing enough, on the current figures, to cover the cost of about 20 failures on the average loan of around £33,000.

The main responsibility for deciding on a loan rests with individual bank managers who submit their proposals to their regional offices or London headquarters for approval. The banks then send the proposals on to the Industry Department, which has a small group of five civil servants who check each application against the basic criteria, within five days of receipt. Only a handful have been rejected so far for not meeting the basic rules.

The type of business receiving the loans varies widely from small retailing or road haulage concerns to some form of advanced technology. The ICFC's associate, Technical Development Capital (TDC), has for example seven of the loans, one of which is part of a package for an electronics business of £225,000.

The availability of the loan scheme meant that the ICFC was prepared to accept only 25 per cent instead of perhaps 40 per cent of the company's equity. So the package involved £75,000 guarantee loan, £75,000 equity and a £75,000 TDC loan.

In another example, where a microfilm business was being bought from a receiver, the ICFC's equity allocation was cut to £20,000 (25 per cent) and was added to a £75,000 loan guarantee and a £50,000 ICFC loan.

In both cases the availability of the loan guarantee has not released more money but it has enabled the businessman to hold on to more of his equity.

Some clearing banks are also adjusting the way they are making up their financial packages, although they all insist that their managers have been told not to use the scheme simply to bail out a businessman who has exceeded his ordinary overdraft and loan facilities.

How strictly such rules are being kept is not yet clear Nor will it be known for two or three years how far the scheme is successful in getting more, viable businesses on the road.

There have been no failures yet, so the viability of the businesses is not yet known.

But what does seem to be beyond doubt is that despite all the protestations in the past three or four years from the main clearing banks, and from Whitehall, there is a financing gap that a loan-guarantee scheme can fill. Otherwise £24m would not have been committed in less than four months.

An accepted place in the market

IN SEVERAL ways 1981 is the year in which the leasing industry has reached maturity. It is the first year for some time in which it has not had to contend with substantial changes to the legislative background. At the same time the high growth rates of the later 1970s seem to have slowed down.

Moreover, earlier suspicions at the Bank of England over the industry seems to have eased. In 1979 the Governor of the Bank, Mr Gordon Richardson, said there was concern in some quarters as to whether the industry's growth carried "some risk of instability."

A year later, in the September 1980 *Bank Bulletin*, the industry received something of an accolade. It was called a good example of a competitive financial market where narrowing margins had increased the benefit to industry.

So leasing has at last become a fully accepted part of the financial market and the participants can get on with providing their services without worrying about hostile action from the authorities. Indeed, in the past year or so the range of services offered has widened rapidly as innovatory forms of finance were introduced.

This is not to say that leasing has become safe and stable or that there will be no thrills and spills. The latest excitement, for instance, was when the Bank of England this summer warned of possible consequences if UK banks continue cutting their tax bills through leasing foreign-made goods abroad.

But it is likely that the main market pressures will now be internally generated by a mismatch between supply of finance and demand for it. Indeed rates are already extremely low, and this is likely to have forced out many of the non-banks which became lessors in the heady days of 1978 and 1979.

The prime reason for both the rapid growth in leasing through the 1970s and for its controversial nature, was that it was based on the tax system, in contrast to the industry in most other countries.

Since 1972 tax legislation has allowed buyers of assets to claim 100 per cent relief in the year of purchase. Businesses such as banks, which would not normally buy anything like enough assets for their own use to match their profits, soon began to buy the assets and pass them over for the use of manufacturers through a leasing agreement.

In practice this meant that the investment incentive was shared, through the leasing rates, between the lessor who was deferring his tax liability until he had to pay tax on his rental income and the lessee for whom the rental would be much lower than the interest rate burden of buying outright if he did not have taxable capacity of his own.

The rapid growth rate in the 1970s is indicated by the figures of the Equipment Leasing Association, whose membership is dominated by the banks and

Leasing

DAVID FREUD

which claims to account for at least 80 per cent of the market. In 1971 annual leasing undertaken by members was £159m; by 1976 the figure had risen to £421m. From 1978 there was a jump from £1.2bn to £1.8bn in 1979, or 48 per cent.

Since then expansion has slowed considerably. In 1980 the amount of new business written was only 30 per cent. After inflation is taken into account the gain was a manageable 14 per cent or so. These figures may actually overstate the gain, since it is likely that the proportion of total leasing carried out by ELA members grew.

So the signs are that leasing now accounts for about 15 per cent of all new capital investment in plant and equipment and that expansion is slowing towards a saturation point, in terms of lessee demand, in the region of 20 per cent of total capital expenditure. This is the market share at which the U.S. leasing industry appears to have stabilised.

Among the reasons for the slower UK growth last year were the legislative changes in the 1980 Finance Act. On the demand side tax exempt bodies like local authorities were denied the right to become lessees through 100 per cent capital allowances; lessors making capital items available could apply only a 25 per cent rate.

Similar changes affected foreign to foreign leasing, and television rental, while the previous year's moves against the business car were tightened up. On the supply side, meanwhile, individuals were prevented from becoming lessors by a provision stating that only lessors who devoted substantially all their time to the leasing trade could set off capital allowances against non-leasing income.

But, so far at least, the match between would-be lessors and would-be lessees has not received too savage a jolt. On the demand side the fall in company profitability has meant that many large concerns have resorted for perhaps the first time to leasing as their investment demands outrun their taxable capacity (which has anyway been sharply reduced this year by the generous new form of stock appreciation relief).

This is the reason for the doubling in 1980 in the leasing of plant and machinery.

On the supply side, there had been fears of a fall in bank profitability as UK interest rates declined, which would reduce their leasing requirements. In fact, the clearing banks' profits have held up remarkably well in the past 18 months and the Big Four reported that they had managed to increase their leasing business in the first half of this year.

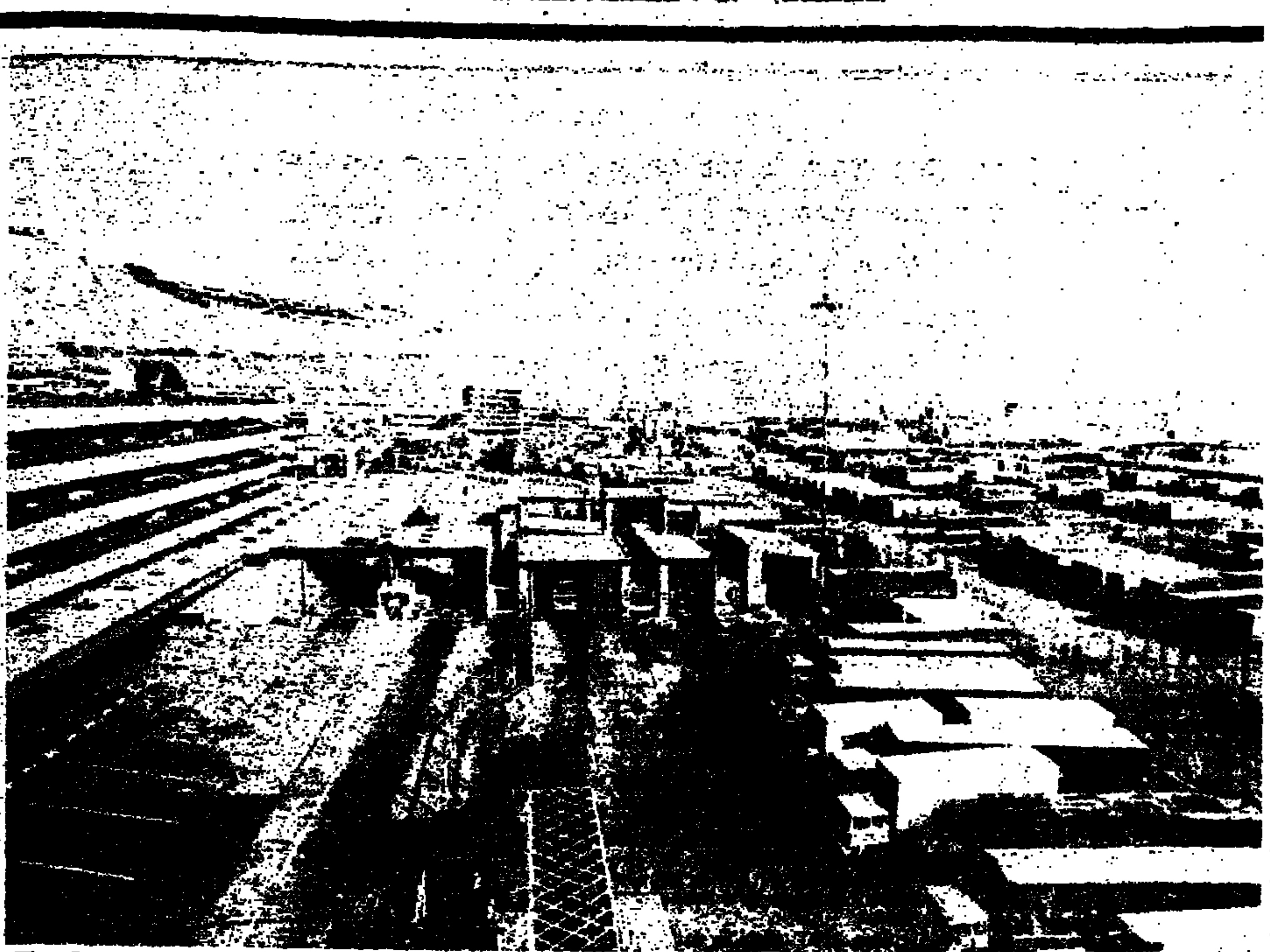
But this does not seem to have been quite as easy for them to do as in the past. The *Bank Bulletin* pointed out that whereas in 1976 and 1977 effective lease interest rates were about the level of the Finance Houses Association base rate, by 1980 the effective rate had fallen to about half. Since then the gap may even have widened slightly, leaving the business on the thinnest of margins in many cases.

This is one reason why many non-banks have been forced out of the competition to be lessors. One indication of the fierceness of the competition is the way some banks — including Barclays — have been willing to push ahead with some politically sensitive "double dip" deals whereby they help to finance purely domestic U.S. sales of assets using their 25 per cent allowance.

The banks are acutely aware that if the level of leasing falls substantially in one year they could become liable to a clawback, or at best have to pay a high level of tax in that year.

It cannot be many years before the leasing market stops expanding. When it does the once-for-all deferral of tax through leasing that occurred in 1975-80 will end, because the market may be able to absorb little more than the returned leasing rents each year.

Then the banks will face the prospect of paying annual tax bills much closer to the nominal 52 per cent rate.



The Eastern Docks at Dover. The greater part of the UK's exports are sold on credit terms of under two years and the existence of ECGD support makes export financing increasingly attractive to British banks

Consensus interest rates are main issue to be solved

Export finance

PAUL CHEESEWRIGHT

PROSPECTS FOR some sort of settlement to the vexatious international dispute about the financing conditions for medium- and longer-term export credits have brightened appreciably in the last few months. This should remove some uncertainty from the banks, whose role in the provision of British export finance remains central.

Crucial negotiations take place in Paris next month. They will be between the signatories of the Arrangement on Guidelines for Officially Supported Export Credit, generally known as the Consensus. The EEC, Japan, the U.S. and 10 other significant trading powers are involved.

The main issue will be settling the minimum level of Consensus interest rates. At present they range from between 7.5 and 8.75 per cent for credits, with repayment terms of between two and 10 years and vary, within that range, according to the nature of the country and the duration of the credit. In general, therefore, they are considerably below market rates for money.

In some European countries, notably the UK and France, official funds have been consistently used to bridge the gap between the Consensus interest rate and the market rate charged by the banks.

The U.S., anxious to bring the Consensus rates more closely into line with the market and to achieve agreement for regular—and, ideally, automatic—changes in the Consensus rate in line with market movements has been putting the EEC under considerable pressure.

The elements of a compromise solution between the two have started to come together. The EEC, working from its lowest common denominator position, has been keen to keep the Consensus interest rates low but at the same time it has not wanted the U.S. to do what would favour the structure of its capital markets—extend the duration of credits.

It now seems likely that the EEC will agree to an increase in the Consensus interest rates — possibly two percentage points—and the U.S. will agree not to press to the extension of credit durations. Alongside this will be an understanding that the level of interest rates should be reviewed at regular intervals.

The complicating factor is the position of Japan, without whose agreement a compromise on such lines would founder. The Japanese position is that its domestic interest rates are lower than the existing Consensus rates and it wants the freedom to be able to offer credits beneath Consensus levels.

There is a feeling in the EEC that Japanse domestic interest rates are not freely determined by the market and there seems to be a disposition not to be seen to be granting Japan what at first appears to be a competitive advantage in the formation of financial packages.

It will be important for the major trading powers to resolve this problem and bring a greater degree of order into a system which over the past year has become distinctly ragged round the edges.

Indeed it has appeared that an export credits war has been developing. Frustrated by the EEC's attitude on interest rates, the U.S. has been selectively breaching the Consensus guidelines and offering credits of longer than ten years' duration. European countries have been extending their ability to offer mixed credits — the mix of commercially raised money offered at Consensus interest rates with aid funds — to provide borrowers with lower net interest rates.

Against this background British banks and the Export Credits Guarantee Department have been performing vigorously. Objective assessments of the success of that vigour are difficult if not impossible but it has been evident that the Government has seen the promotion of exports as a major priority.

It has therefore followed that the Government has been anxious to keep well-oiled the traditional British system of export financing. This system continues to be based on the provision of funds by the banks, reinforced by the panoply of supports and guarantees provided by ECGD.

As far as competitors are concerned this system is seen as both aggressive and competitive. In its last report to Congress, published in October 1980, the Export-Import Bank of the U.S. (Eximbank) noted that the UK "offers one of the most comprehensive official export credit and insurance systems of all the major competitors . . . ."

The report classified ECGD as "the principal contributor to British export success." It commented that "although the Treasury would undoubtedly favour an across-the-board increase in Arrangement (Consensus) rates to reduce the budgetary costs associated with the present system, it would not consider such a move if it would hamper British export performance."

The bulk of export financing done by the banks is of the short-term variety, where credit of up to two years is involved. It has thus not been affected by the international disputes over the Consensus and is of a generally routine nature.

But the greater part of the UK's exports are sold on credit terms of under two years. Exporters can seek finance from banks, guaranteed by ECGD, at ⅝ per cent above base rate at the time they ship goods. If payment is not made by the overseas buyer within three months of the due date, ECGD reimburses the bank and the exporter seeks compensation under his normal ECGD insurance cover.

In 1980-81, under this system, the banks made available to ECGD policyholders £1.1bn of finance for exports. It is this sort of support, one among a range of schemes, which led respondents to an Eximbank survey of U.S. exporters and bankers to put the UK either first or second in an international ranking table of official export credit facilities.

The existence of the ECGD support makes export financing congenial for the banks and it is hence becoming increasingly competitive. The old divisions between the merchant banks which used to put together the packages and the clearing banks which used to finance them have been progressively eroded as the clearing banks have established their own merchant banking divisions or bought existing operations.

Often the officially supported business runs parallel with the management of and participation in syndicated loans There is increasing evidence that the British banks are now actively seeking out projects for which they might arrange the financing and not simply waiting for the companies to come to them. In any event the bankers are brought in at very early stages as bids for project contracts are set up.

Recent successful examples of the bankers' search for and involvement in this sort of business have included the Midland's role in helping the consortium of water treatment and engineering companies, British Wastewater, win the Greater Cairo Wastewater Project. This involves first-stage funding of £100m of bank credits and £50m of official aid funds.

A further example has been Morgan Grenfell's signing of $200m of loan agreements with the Nigerian Government to finance contracts for the completion of construction at a pulp and paper mill. Half of the sum was a UK export credit, half a Eurodollar loan.

But the role of the banks in helping UK companies win major project contracts abroad still remains controversial, seen in terms of the national export performance and the general feeling that UK potential in this area has not been fully realised.

The ingenuity and skill of the banks in putting together financial packages is not in doubt. But, said a National Economic Development Council report earlier this year, "some competitor countries, including France, Germany and Japan, have financial sectors which are willing to take a longer term view than their UK counterparts of the return required, for example, on working capital." This is a message which will be increasingly considered over the next few months.

The view of some of today's key people in banking will influence the changes the system must undergo to function smoothly in the future. Here some of them are profiled.

The decision makers

PROFILE: IAN FRASER

Frank and tough inner circle member

IF THE CITY were to inaugurate an award for corporate service over and above the call of duty, its panel of judges would no doubt be giving particular consideration to the achievements of Lazard Brothers in this field.

Director Tom Manners, the vice-chairman, is chairman of the Issuing Houses Association; the corporate finance chief, John Hignett, holds the daunting post of director-general of the Takeover Panel; and to complete the hat-trick, the chairman, Ian Fraser, this month succeeds John Baring as chairman of the Accepting Houses Committee, the inner circle of the City merchant banks.

A first impression of the 58-year-old Fraser might be that of a solid, cautious man, a slow and thoughtful speaker, perhaps an eminent consultant. But when he does speak he tends to be disarmingly frank; and he is undoubtedly very tough indeed.

He won the Military Cross for blowing up an enemy tank single-handed, spent 10 years as a Reuters correspondent, and then, tired of the nomadic life, moved into merchant banking with Lazards.

His banking career saw him become, in 1969, first director-general of the reorganised Takeover Panel when it moved out of the Bank of England's discount office and took on a more active life of its own. From there he went to Lazards and also became chairman at Rolls-Royce Motors, where he continues to serve as vice-chairman of the merged Vickers group.

Fraser's promotion to the chair at Lazards—which, like the Financial Times, is part of the S. Pearson group—was announced in 1979. Among his best-known achievements since then have been two record-breaking jobs for BP—advising on the £410m Selection Trust bid and participating in the underwriting of £624m of new equity in this year's June rights issue.

The AHC tends to make the headlines only when its membership changes, most recently when Robert Fleming was admitted and before that when Antony Gibbs was expelled. But among the more significant structural changes which it has seen are erosion of its two most conspicuous privileges—eligibility for the finest rate of bill-discounting at the Bank of England and the understanding that its members could count on Bank support in times of crisis.

The Bank showed in the mid-1970s banking crisis that it was willing to help out far less august members of the financial community when it came to the crunch; and its newly published list of eligible names extends far beyond the AHC.

What is left to the AHC is, in essence, the character of a rather grand trade association. It is its members' voice on matters of City policy and it can count on bending the right ears when it has something to say. AHC membership is, above all, a sign to the financial world that the bank in question is unquestionably in the first rank.

Fraser is not going into the AHC job with any blueprint for change. Indeed it would be surprising if the committee did overhaul the machinery which has carried it through since its formation in the First World War.

Mr Ian Fraser

In particular, it is not likely to assume a more public pose as a sort of pressure group or think-tank. In its four meetings a year and lunches at the Bank of England, however, it will no doubt continue to express strongly held views on such matters as the banker's right to only partial accounting disclosure and the benefits of self-regulation.

ROBERT COTTRELL

PROFILE: JOHN QUINTON

One of new breed of clearing bank chiefs

JOHN QUINTON, who takes over as senior general manager of Barclays Bank UK next January, has always been regarded as one of the bank's "young Turks." Consequently it comes as quite a shock to learn that at the tender age of 52, he will be about the oldest member of the bank's general management team.

Mr Quinton is typical of the new breed of senior managers now surfacing at the top of Britain's clearing banks and has played a key behind-the-scenes role in masterminding Barclays more aggressive approach to the personal banking market—although he handed over full time responsibility for this sector to Mr Brian Pearse a couple of years ago.

He is rather shy about saying it in public but he feels strongly that the banks have been giving their customers an easy time for too long. He argues that the banks have underpriced their services for years, and customers must be expected to pay proper charges for the services they get. Reading between the lines, this points inevitably to higher bank charges and the eventual payment for services, such as Barclaycard, which are currently free of charge.

The controversial 50p charge is just one of a number of moves which Barclays is undertaking to consolidate its position as the acknowledged leader in the personal banking market. The other big clearing banks are *not at all happy about* some of the things Barclays is doing but they have yet to produce a formidable rival to John Quinton. He and his management team at Barclays have thought their strategy through, and while some measures might be painful in the short term from a public relations view, over the long haul they believe they are right.

Customers should be charged for the services they receive, and by the same token the bank should pay for what it gets in return. Mr Quinton is one of the few bankers who sticks his neck out and says that the banks will one day pay interest on current accounts. Meanwhile, Barclays has been giving considerable thought to what it should do with its sprawling network of 3,000-odd branches.

As long ago as 1975 Barclays had divided them into three broad categories—the single branches in individual communities, the larger city centre branches and the suburban branches which concentrate largely on the personal customers.

"We have undermanaged our City centre branches while overmanaging those in the suburbs," says Mr Quinton. While he does not envisage any major rationalisation of Barclays' branch network he does see the *bank making better use of its* scarce management resources.

In City centres, where Barclays branches might be found on every second street corner, this will lead to some rationalisation. Instead of having six managers all looking after their own patch, Quinton would like to have a team of six specialists under one roof so that corporate customers in particular have access to a better service.

Born in Norwich and educated at St John's College, Cambridge, Mr Quinton began his banking career in his home town and after ten years working his way through the undergrowth of Barclays' branch network was seconded to the economics side of the Paris-based Societe Generale.

On his return he was appointed an assistant manager of Barclays' big London branch at 160 Piccadilly and began quickly moving up the organisation. Aside from a short spell with the Ministry of Health as principal in the international division, Mr Quinton has spent the bulk of his career in domestic UK banking and won his spurs as Barclays' top man on the Bank of England's lifeboat committee during the troubled times of the mid-1970s.

WILLIAM HALL

Mr John Quint[illegible]

PROFILE: RICHARD PETHERBRIDGE

Leading discount broker

Richard Petherbridge is *the City's leading discount* broker. Not only is he the senior managing director of Union Discount, the largest of the 13 discount houses (a post he has held since 1972); for the past 18 months he has also been the chairman of the London Discount Market *Association (LDMA).*

His tenure of this position—traditionally held for two years—has coincided with an exceptionally significant phase in the discount market's history. For the first time since 1971 when the system described as competi*tion and credit control* was launched, the Bank of England has been making major changes in the way it intervenes in the banking system.

As chairman of the LDMA Mr Petherbridge has been closely concerned with the recasting of the role of the discount houses in the new system which has been introduced over the past few months. He argues that their importance has been enhanced.

"Under the reserve asset system there was always a slight artificiality," he says. "*Now we are entering* a new lease of life as a market in liquidity. The Bank has recognised the importance of bills."

He speaks warmly of his experience in the LDMA. "There is a tremendous feeling of friendship and co-operation, *even though it is* a group of very diverse organisations, especially in terms of size."

New 56, Richard Petherbridge has a record of 37 years' service at Union, which he joined straight from school "as a temporary clerk." *Those* were the days when the discount market was a haven of tranquility; the working day stretched all the way from 10 o'clock until 4, and Union was known as the "sleeping lion."

A great deal has changed since then. A much younger discount house, Gerrard and National, has risen to challenge, though not yet surpass, Union in size. Com*petition has proved an effec*tive spur. "There is a much greater feeling of involvement," says Mr Petherbridge, mentioning Union's staff profit-sharing scheme. He arrives *at work* at 8.45 *in the* morning and is the last to leave at 6 pm.

Technology has transformed the dealing operations. Today's dealer sits in front of a row of telephones and *screens; computerised settle*ment systems allow Union to turn over an average of something like £400m a day, even though the company employs no more than 75 people (it used to have over 100).

Nowadays Union is ready to put behind its people any *equipment that it thinks will* make them more efficient and better informed.

But despite the omnipresent screens, the computer keyboards and the digital clocks, the basic requirement for success in discount broking has not changed. The key attribute is, according to Richard Petherbridge, "a nose for interest rates."

"*We stand or fall by our interpretation of interest* rates," he says. The directors sound out views wherever they can find them—from the Press, from stockbrokers, and from the City community. "*We try to absorb what every*body says. Then we form our own opinions."

Richard Petherbridge is known as the man who led Union back from the depths of the 1974 crisis, when the company sank to a very low ebb. The recovery was just as swift and spectacular as the earlier decline. More recently, the deftness of *Union's* timing in the past year or two has added to *its already high* reputation.

Mr Petherbridge believes that caution is the secret of success. Excessive optimism is regularly encouraged by Governments, especially in terms of interest rates, and it often pays to go against the official climate of opinion.

"The market only has moments of euphoria," he observes. "Generally speaking it pays to be cautious. Nine times out of 10 it pays to be a bear." BARRY RILEY

PROFILE: DAVID MACDONALD

Putting Gibbs back on the map

IT IS just over a year since David Macdonald, once the heir apparent for the top job at Hill Samuel, quit to take over as chief executive of Antony Gibbs, one of the City's smallest and least successful merchant banks.

He moved into the bank at the nadir of its fortunes. Three months before he arrived it had been unceremoniously booted out of the Accepting Houses Committee, following its takeover by the Hongkong and Shanghai Banking Corporation, and it was well on its way to achieving the £3.7m after tax *loss for 1980, which is hidden* away in its new parents *accounts.*

A day after he took over he was *on a plane to Hong Kong* to battle for the £13m capital injection he felt the group needed to re-establish itself as a force in the City.

On his return he set about reorganising the group and established a proper holding company structure (Antony Gibbs Holdings) and "pulled the bank down underneath with a clean capital." The balance sheet of Antony Gibbs and Sons (the merchant bank) is no longer cluttered up with assorted interests in all sorts of unprofitable non-banking ventures, as had been the case with its predecessors.

With the help of Hongkong and Shanghai's £13m capital *injection Macdonald* has substantially reorganised the group *and its bank. Part of Marine* Midland Ltd.'s London merchant banking operations (mainly Eurobonds) was taken over (Marine Midland is controlled by Hongkong and Shanghai) and the insurance broking subsidiaries have been placed under the direct control of The Hongkong Bank's insurance services.

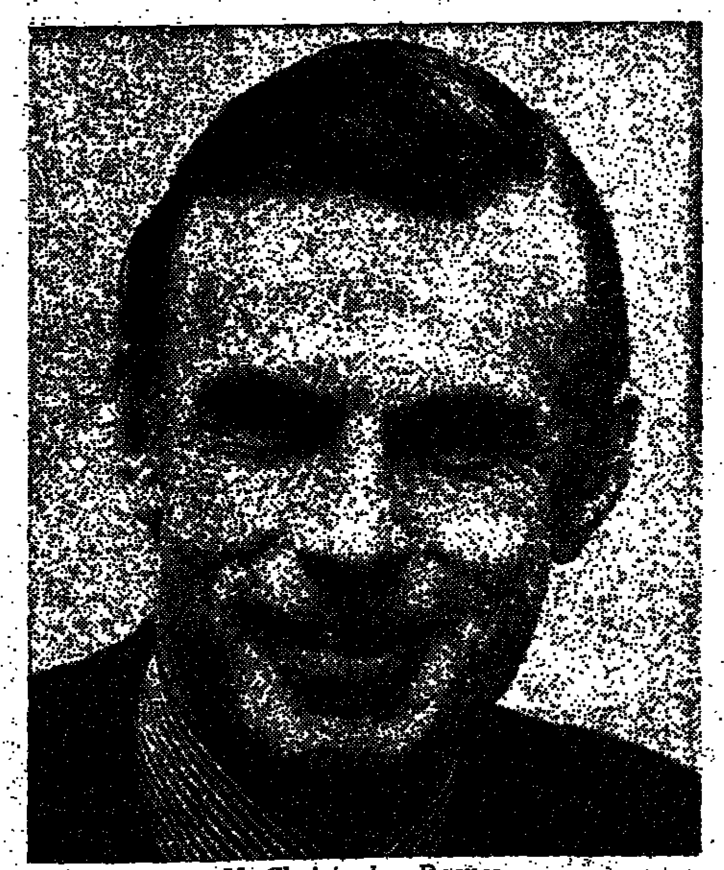
Macdonald has also taken steps to strengthen the bank's management team and has established what some of his rivals refer to as "a mini-Hill Samuel Mafia." In addition to bringing some of his Hill Samuel chums on board, however, Macdonald has also taken advantage of the Hongkong connection. Mr Quentin Baer has been seconded from Hongkong and Shanghai's successful merchant bank to take charge of the planning function at Gibbs. Meanwhile, Mr Ewan Launder, Wardley's chief executive, has moved on to the Board of the holding company and Mr John Boyer, who is stepping down as deputy chairman of Hongkong and Shanghai, is taking over as chairman of the *holding company from the* beginning of next month. Macdonald says that Boyer's arrival will give us "a terrific impetus and tremendous credibility"

Sir Philip de Zulueta, who has run the bank and the group for many years, is severing his links with Antony Gibbs at the *same time and will serve as a* special adviser to the Hong Kong and Shanghai Banking Corporation.

Mr David Macdonald

Now that he has finished re-organising the bank and got a new management team in place, David Macdonald is anxious to build up the bank's business. The bank is very underlent currently and with the help of the new capital it plans to boost its sterling lending. This partly explains the recent recruitment of Mr Jeremy Lloyd, who had *specialised in property lending* with Manufacturers Hanover *Trust in London. Another area* which is being developed is *Gibbs'* traditional strength in export finance—Macdonald has recruited a senior man from Midland Bank to head up this side of the operation.

David Macdonald, a solicitor by training, is still in his early forties and has plenty of time in front of him to put Gibbs back on the map. His chances of taking the top job at Hill Samuel receded when he went to run the City Takeover Panel for a couple of years. When he returned Hill Samuel had already chosen an even younger chief executive in the form of Mr *Christopher Castleman. So after* 17 years at Hill Samuel Macdonald has decided *to start* afresh. "Theoretically, there is unlimited *scope here,*" *he says.* WILLIAM HALL



Mr Christopher Reeves

PROFILE: CHRISTOPHER REEVES

A busy couple of years

IF YOU want to see the world, you don't have to join the army. Signing up with Morgan Grenfell might do just as well. Advising the governments of Uganda and Zimbabwe, syndicating Nigerian *loans* and underwriting Swedish bulldogs—the bonds, *not the animals—are some of* the jobs undertaken by the banking *group in the past* year or so. Nor has the bank been short of matters to occupy it at home, with Morgan Guaranty pulling out of its one-third investment in the group, followed by a rights issue to top up the coffers of the group by a further £12.5m.

It has, all in all, been a busy couple of years for Christopher Reeves since he was appointed group chief executive at the end of 1979. The *previous milestone in his* progress to the top had been *in 1975, when he was made a* deputy chairman of Morgan Grenfell and Co., the bank, at the same time as Philip Chappell became a vice-chairman of the group.

Chappell's career has since seen him in and out of the chairman's slot at ICL, rounded off with the announcement this month that he was back as a director of Morgan Grenfell and Co.

Reeves meanwhile found himself, at 43, the man marked out to lead the new order when retiring group chairman Tim Collins decided that the time had come to sort out an age-block at *the* top, and create a two-tier Board structure.

The abolition of exchange controls *came shortly before* Reeves's promotion and he arrived in *the chief* executive's seat determined to seize the *opportunity to bring* in more top-class international business for the *merchant* bank, already one of the City's *largest.*

In line with such a strategy the bank was four months later appointed to advise the Mugabe Government in Zimbabwe on the vexed question of compensating the holders of old Rhodesian bonds. But as well as its rewards, the international push had its difficulties, in the shape of an *increasing conflict* of interest with Morgan Grenfell's single *largest share*holder, Morgan Guaranty.

The problem was thrown into sharp relief when last spring *Morgan Grenfell set up* a corporate finance subsidiary *in New York, in its associate's* own backyard. The news that the London group wanted to do mergers and acquisitions in the U.S. as well as financing for non-U.S. borrowers may have been the final factor precipitating the sale of shares over whose future Morgan Guaranty had been mulling for seven years.

The result was a complex reconstruction, a move which must have made Morgan Grenfell thankful that it did *its own* banking, since the corporate finance fees would otherwise have cost it a pretty penny.

With the prospect of treading on family toes out of the way, Reeves remains on an international tack. Asked earlier this year his view of *the most important elements* on the medium-term outlook, he *pointed to* an acceleration in the movement of international capital across currency frontiers, with volatile interest and exchange rates making the corporate treasurer a still more active and sophisticated trader of funds.

But *in the midst of this* internationalisation Reeves *still expects to see London* retain its importance as a *financial centre, coping with* the increasing capital in*tensity of construction* and *development projects around the world.*

ROBERT COTTRELL

Weakness in industrial lending

Finance houses

JEFFREY BROWN

AFTER THE problems of 1980 when two years of rising interest rates culminated in a sharp squeeze on trading margins the finance houses are showing signs of a very useful recovery in profits. They still have problems with weak business flows in some areas, competition remains very keen and bad debts are a major headache. But the industry's key profits indicator—the Finance House Base Rate—is now comfortably under its heady levels of a year ago.

There has been a trend in recent years to upgrade the amount of business written on variable rates but the bulk of the houses' trading still centres on fixed-rate-medium-term lending and as a result the trend of interest rates is crucial to profitability. In 1980 the Finance House Base Rate was 17 per cent on average. Two-thirds of the way through 1981 the average FHBR has eased back to little more than 13 per cent and provided the industry with some much needed breathing space.

Levels of new business remain mixed. There is clear weakness in industrial lending and consumer business has been making slow progress. Thankfully for the houses, their leasing operations continue to perform brightly, and at the end of March this year accounted for just about two-fifths of total business outstanding.

New business inflow for the houses in the first quarter of this year totalled £1.23bn, against £1.44bn in the seasonally buoyant final quarter of 1980 and £1.25bn for the opening three months of last year. Thus in absolute terms new business has been holding fairly steady but the picture deteriorates significantly once inflation is allowed for.

Moreover, some of the trends within the overall figures can look a little alrming. Leasing has continued to power ahead with new business for the 1981 first quarter rising by 44 per cent to £360m against a year ago levels. But consumer credit could manage a gain of only 8 per cent, while industrial lending—which accounted for 30 per cent of new business in the quarter, roughly the same as leasing—dropped by 33 per cent to £370m.

Elsewhere the major constraints on the houses centre on competition and a rising incidence of bad debts. There is talk in the industry that at least one of the major houses has begun to apply "cut-throat" margins on industrial lending as a means of extricating itself from difficulties on this side of its business, and certainly competition in general has not grown any less. Some new leasing business, notably on vehicle leasing, has become frighteniy keen.

After what the industry describes as a satisfactory period up to 1980, bad debts have once again begun to mount. Not surprisingly, industrial companies, hit by economic downturn, are having difficulty in meeting financial obligations, and much the same sort of pattern is emerging in terms of consumer lending. The houses reckon consumer bad debt has moved on a notch or two with the greater incidence now occurring in areas of short-time working rather than where there is heavy outright unemployment.

Yet the finance houses are far from depressed. They have successfully come to grips with difficult trading times in the past, and have shown themselves to be considerable innovators. Profits have recently been thin—wafer so in some areas—but are now recovering as borrowing costs decline. At the same time the pressures of the past years have driven the houses to write a greater proportion of variable rate business. Some 30 per cent of the industry's business is now indexed, enhancing the prospect of less cyclical future profits.

The improving outlook for earnings had coincided this year with major changes in ownership within the industry. Lloyds Bank has consolidated its grip on Lloyds and Scottish, and the TSB group has acquired the remaining major independent house, United Dominions Trust, through a takeover worth £110m.

Thus the banking establishment has just about completed its domination of the finance house industry. Bowmaker, a smallish house, is U.S.-owned, and one or two independent companies continue to make a comfortable living, notably Provident Financial and Wagon Finance.

But the bulk of the industry is now firmly controlled by major banks. Mercantile Credit is owned by Barclays Bank and Forward Trust is part of the Midland Bank. Lombard North Central is the finance house arm of the NatWest, and Lloyds Bank controls around 60 per cent of Lloyds and Scottish. Having initially proposed a capital injection in return for 75 per cent control, the TSB Group, the old Trustee Savings Banks, was forced into an outright bid for United Dominions Trust.

Mercantile Credit is perhaps the most profitable of the houses. It was the only one to disclose an increase in pre-tax profits for 1980—albeit a modest rise to £38m from £36.9m—and if the half-year progress report from Barclays is any guide the company is continuing to gain ground in 1981. Growth at Mercantile House was largely responsible for an increase of more than a tenth in Barclays domestic profits for the first six months of 1981.

At Forward Trust profits before tax fell by more than a quarter to £25.6m last year. Apart from the way interest rates squeezed margins, the company had to absorb a 30 per cent increase in staff costs at a time when bad debts were mounting. Arrears of payment for the year rose to more than 3 per cent of total book, against 2 per cent in 1979.

The trend will have been firmly upwards in the current year, however. Lloyds and Scottish and Lombard North Central, which reported pre-tax profit declines of 21 per cent and 38 per cent respectively for 1979-80, both managed impressive upturns in the six months ended March 1981. Lloyds and Scottish produced profit growth of 16 per cent to £12.8m pre-tax, while at Lombard North Central profits recovered to £17.8m from a depressed £3m a year earlier.

Lombard North Central has clear scope for further improving returns. It has consistently underperformed its rivals, partly as a result of poor trading overseas. The company is also heavily dependent on fixed rate business.

Radical changes in an uneasy period

Discount houses

JEFFREY BROWN

THE DISCOUNT houses, that select band of bill brokers who operate at the very heart of the London money market, are finding life more than ordinarily difficult at the moment. Profits are under pressure and share prices depressed. At the same time the framework within which the houses operate is going through a period of radical change.

Short-term money is the essence of the discount house business. The houses borrow huge sums on a day to day basis, mostly from the clearing banks, and either invest it in the money market or lend it to customers, largely to finance trade. They also run substantial gilt-edged portfolios. High and uncertain interest rates have narrowed trading margins and a weak and listless gilt market is tending to rule out capital profits.

That the discount houses are having to operate in less than ideal circumstances is reflected in their stock market rating, where a sector yield of 8.5 per cent takes in quite a number of double figure dividend returns. In contrast, the equity market as a whole, as measured by the Actuaries All-Share index, yields little more than 5.5 per cent.

Right now discount house shares are a full 15 per cent short of their peaks of last March, and as a result the sector is one of the London stock market's least buoyant performers of 1981. But the cloud that hangs over the outlook for profits is only part of the reason for investor wariness.

The discount houses play a central role in the Bank of England's control of the banking system and money markets, where the structure and trading rules have been subjected recently to a number of important changes. This process is continuing. The background is one of discussion, consultation and compromise but the changes are none the less far-reaching.

The main features of the changes in monetary framework to date are the ending of the official discount rate (Minimum Lending Rate), a widening of the circle of banks eligible to trade directly with the discount houses and the replacement of the banks' reserve asset ratio with a system of liquidity which reduces the houses' secured call money.

This new operational background began to emerge in tangible form towards the end of last year after a period during which increasingly wild fluctuations in the money markets had been placing severe strains on the existing system. The new "open-market" system is designed to do away with the old excesses and allow the money markets greater freedom and more mobility.

In theory, what this implies for the discount houses is that they will have less scope for taking up positions in the market, profitable or otherwise.

At the same time the ending of the banks' reserve asset ratio has reduced the amount of underlying market liquidity by a substantial amount. Under the new system the amount of cash in the form of secured call money on which the houses can rely—an average of 6 per cent of the new listed banks' eligible liabilities—is, at £3bn, something like a third less than the £4.5bn they were enjoying under the old reserve asset ratio.

This switch in liquidity base follows a sharp increase in the number of banks whose bills are eligible for discount at the Bank of England. Until now membership of this "club" has been confined to British and Commonwealth banks. The new members lift the number of eligible names from 52 to 96, including 17 American banks, seven Japanese and six French.

There are 13 discount houses, of which 11 are publicly quoted companies. Union Discount and Gerard and National are the biggest, together accounting for something like 50 per cent of the market. Smith St. Aubyn is generally reckoned to be worth a further 10 per cent, with Cater Ryder and Alexanders maintaining markets shares of slightly less than a tenth.

From this it can be seen that many of the houses are modest operations. Seccombe, Marshall, for example, has shareholders' funds of £3.2m, a sum which is little more than 10 per cent of the capital base at Union Discount. Under the new trading regime and in the light of current profits experience, there is no lack of stock market speculation on the possibility of mergers among the smaller houses.

The fear of a run of losses is a factor that could well force some houses to think about huddling together for protection. Losses are especially damaging to a discount house since the size of its capital base, including unpublished inner reserves, governs the size of the book it can run. Thus a bad couple of years can all to easily eat away at any potential for recovery.

Not so long ago Clive Discount overcame this problem by topping up its capital with a rights issue. But there is plainly a limit to the number of times this tactic can be successfully employed.

The houses' attempts to diversify away from their traditional business have had mixed success. Several houses have gone in for fund management; and some have acquired, and subsequently sold, money broking operations. Basic business has been broadened by extending the number of instruments in which a market is made, notably with a move into Eurodollar certificates.

As things stand the immediate profits outlook for the discount houses is likely to remain bearish. Unless the climate on Wall Street suddenly improves allowing interest rates around the world to fall trading margins are going to stay squeezed for the rest of this year.

The houses have been through bad times before, however, and are known to be treading very warily. The recent half-year progress report from Union Discount was relatively comforting. Profits were down on a year ago but were said to be "significantly greater" than those for the second half of 1980, suggesting that considerable defensive action has been taken.

The interim statement from Alexanders echoed the subdued confidence expressed by Union Discount. At Alexanders, half-year earnings were apparently maintained and the company had some reassuring words for shareholders. Since the "average life of our portfolio has been short and remains so," high interest rates are not seriously damaging earnings," it said.

Profits now piling up

Money brokers

JEFFREY BROWN

THE LATEST attack of jitters on the foreign exchanges will have done no harm to the money brokers, who thrive on currency uncertainty.

A mini-crisis for sterling followed by a rapid and unexpected rise in UK interest rates is meat and drink to what, in recent years, has become the fastest growing and most profitable sector of the London financial markets.

But if the volatility of international money flows provides the money broker with his trading base, it is recent advances in electronic communications — allowing instant, finger-tip contact between the world financial centres — that have enabled this base to be built.

That it has been built up largely in London reflects the lucky accident of geographical time-scale. The City of London is poised neatly between the big markets of West and East, between New York and the Middle East and Tokyo.

The ending of British exchange controls in the autumn of 1979 put the icing on the cake. Since then some money brokers have not looked back, piling up profits, raising new capital and expanding in all directions at breakneck speed—both geographically and in terms of the number of services provided to customers.

The structure of the money-broking industry has changed radically as a result. Over the past few years a handful of internationally spread brokers have been able to dominate the industry, while some smaller houses are in danger of being forced out through competition. There has been much takeover activity. The scene could be set for yet further takeovers or a string of defensive mergers.

Money brokers, as their name implies, bring together buyers and sellers of money in different currencies at the finest possible terms. Since the world's banks, which are the brokers' main customers, deal in millions of dollars to the minute, one-hundredth of a U.S. cent on the rate is worth having. This is precisely what the money brokers can provide.

The money brokers' strength overseas is reflected in the remarkable fact that in New York, the largest money market in the world, all but one of the major brokers are controlled from London. It has been estimated that the commission on about 80 per cent of all currency transactions on Wall Street eventually find their way into British pockets.

But they have to sprint to survive. Commissions would make a wafer look thick at less than 0.001 per cent on a $1m deal, which means that a broker depends heavily on volume. Fortunately for the brokers volume has stayed high, and their living style has yet to be tested by periods of quiet trading when the banks — the brokers' main competitors — have the time and breathing space to deal among themselves.

Yet much of the brokers' recent growth has come from new services. In foreign currencies, for example, markets in forward as well as spot transactions have developed as more banks and investors try to hedge against currency fluctuations.

Still, spot dealing probably accounts for more than 90 per cent of a brokers' total dealing volume.

By far the most important new instruments in which the brokers deal for bank clients are currency deposits, mainly Eurodollars. In this market the brokers bring together a bank that wants to borrow a currency with one that wishes to lend, and does so for periods ranging from overnight to five years. Currency deposits probably account for about one-third of total industry volume.

Of the major London money-broking houses two are publicly quoted companies. A third, Astley and Pearce, is expected to come to the market before the end of this year—a flotation being prepared by N. M. Rothschild.

Astley has the distinction of being the first London broker to set up in Tokyo. Its group pre-tax profits last year were £5.7m (up from £3.1m), which compares with £7.1m in the year ended last April for the biggest of the London houses, Mercantile House.

Mercantile House came to the market in July 1979, and since then the spectacular rise in its share price has allowed the company to raise a combined £13.1m of new capital through two rights issues.

In 1978-79, Mercantile House's pre-tax profits totalled just £2.6m. Last year's rise to £7.1m followed a sharp improvement in margins and a dramatic upsurge in turnover in North America.

Broking in Europe last year saw turnover rise from £8.4m to £13m, but on Wall Street the gain was from £8m to £19.7m. Profit margins before tax widened by more than 10 per cent and were the best the company has achieved for five years.

The other publicly-quoted money broker is R. P. Martin, which earlier this year merged with the West German currency dealer Bierbaum, of Düsseldorf.

Martin's profits for past year rose to £2.17m from just under £1m.

FOREIGN AFFAIRS

The budget crunch for U.S. strategy

THE EUROPEAN tide of anti-nuclear sentiment rises unabated. The Liberal Party in Britain has voted against the siting of American Cruise missiles, the Labour Party will no doubt soon vote for effective neutralism and in Germany Chancellor Helmut Schmidt is under constant pressure from the left-wing of his SPD party.

No doubt the protesters have a lot to be worried about: Soviet SS 20 missiles, Afghanistan, Poland, on one side; the neutron bomb, the rhetoric and the prospect of American rearmament and the deep freeze of the Strategic Arms Limitation Treaty (Salt II), on the other. Taken together, these factors look designed to set hearts pumping faster.

But what may explain the strength of the anti-nuclear tide is the fact that western governments sound less confident and less plausible in asserting that the situation is under control. Chancellor Schmidt has threatened to resign if his party blocks the implementation of the 1979 decision to modernise the long-range theatre nuclear weapons arsenal in Europe and the threat may prove conclusive; but it is the kind of threat that people make when they are no longer entirely sure of the strength of the underlying arguments and while it may make their opponents change their votes it does little to make them change their minds.

Americans reproach European governments for not "educating" their electorates. The trouble is that there are inescapable uncertainties in any nuclear doctrine, some of which are old and some of which have acquired new prominence, and which cannot be removed by "education." Some of these uncertainties can be alleviated by analysis and explanation, but others remain difficult to handle, let alone feel comfortable with.

For example, is it true, as some American right-wingers assert, that the U.S. Minutemen land-based missiles are or will soon be, vulnerable to a pre-emptive first strike by the Soviet Union? If so, does that mean that the superpower relationship is dangerously unstable at the strategic level? On balance, it would seem that the answer to both questions is No, since the Russians could never be confident that they could make such a strike without risking Armageddon.

The credibility of the U.S. deterrent

Nevertheless, the question of the credibility of the American deterrent has been central to European nuclear anxieties ever since the Soviet Union achieved parity. Doctrine says that the U.S. strategic forces are coupled to Europe through the ladder of "extended deterrence:" a conventional Soviet attack in Europe would risk escalation through tactical and then theatre nuclear weapons to the strategic weapons based in the U.S.

Worriers would claim that America's strategic deterrent has already been decoupled from Europe by the fact of parity, and they can argue their case on both sides of the American controversy over vulnerability: if the U.S. is vulnerable, then no President would dare to start the process of escalation; if the U.S. is not vulnerable, if the strategic balance is as rock solid as it has always been, and if there is any meaning in American doctrines of controlled escalation, then deterrence against a Soviet attack depends upon the threat of a "strategic" nuclear war confined entirely to this side of the Atlantic.

It is easy to see that the remedy offered by the anti-nuclear movement—removing American nuclear weapons from Europe—makes little sense by itself, since it increases European vulnerability to the Soviet conventional attack without offering any guarantee that the Soviet Union would not use nuclear weapons on its own if it saw no risk of nuclear retaliation. The problem for European governments is that it is inherently impossible to prove the validity of the extended deterrence doctrine.

Neither side in this controversy has yet been prepared to confront the uncomfortable notion that at least a partial solution to the problem would be a substantial increase in Western conventional defence together with the removal of Western short-range battlefield nuclear weapons. This would significantly raise the nuclear threshold while offering a different and more credible deterrent to a Soviet conventional attack.

The reason they do not confront it is that it looks like a very expensive remedy at a time of very tight budgets. Some American analysts maintain that the costs need not be all that great, but of that more later.

The third general order of anxiety concerns the new U.S. Administration, and can be summed up in the question: Does Reagan have a strategy? It is easy to grasp that he wants to make America strong again, and that he wants to be able to stand up to the Russians, but it is not so obvious that his Administration really knows any better than its predecessor what it is doing. There has been a lot of general rhetoric to justify the enormous rearmament programme ("the Soviet arms build-up in the past 15 years is much greater than Hitler's before World War II"), but not much explanation of what the new defence capability is for.

FIRST STRIKE: The Russians would risk Armageddon

Is the Administration really aiming at a "margin of safety" (i.e. superiority) in nuclear weapons? That sounds crazy, and is in any case unattainable. Is it seriously interested in negotiating "deep cuts" with the Russians, or is that just soothing rhetoric to undermine the arms control lobby? Just as perplexing are the plans for a vastly increased conventional capability, to be able to counter the Russians and their "proxies" in the Third World. That capability will not exist on any scale for several years: will it be useful when it does, and in the meantime does the Reagan rhetoric mean that his Administration is prepared for "horizontal" (i.e. nuclear) escalation in the name of standing up to the Russians in the Third World?

With luck, answers to these and other questions may be provided in the months ahead, not by the requirements of rational debate per se, but by the inexorable demands of budgetary stringency. When Reagan came to power it looked as though money would be no object in making America strong again; the Pentagon had only to present its wish-list for Congress to sign it.

That kind of euphoria would seem to have evaporated like morning mist. Few people suppose Reagan can eliminate the budget deficit by 1984 without substantial spending cuts. If those cuts do not bite into defence, then cuts in social programmes will have to be all the more severe, and even the most conservative and patriotic congressmen will need to have very plausible explanations for cutting these social programmes before they face their constituencies in next year's mid-term elections.

For the time being, the Pentagon has got away very lightly: it has been forced to scale-down its requests by only $13bn over the next three years, much less than had been demanded by Mr David Stockman, President Reagan's budget director. But only a very brave man would predict that the budgetary problem of defence has now gone away. On the contrary, until Reagan's supply-side economics brings home the bacon in the form of much more rapid economic growth (if it ever does), the conflict between the super-patriots and the fiscal conservatives is likely to remain a permanent feature of congressional debate on the defence programme.

On strategic nuclear questions, the debate may not be all that illuminating since the subjects are inherently arcane; here the pressure for policy clarification will no doubt continue to come from those European governments which feel most exposed to the consequences of American decisions. But the biggest immediate increases in U.S. defence spending are earmarked for conventional forces, whose rationale is much more accessible (by looking at a map, for example), and it is here that congressional debate may be most influential.

In this debate, a lot may hang on the so-called Military Reform movement in Congress, which includes such figures as Sam Nunn and Gary Hart in the Senate, and is echoed by outside commentators such as James Fallows and Edward Luttwak. With variations, they have a common theme: America's defence is not giving value for money, and needs to provide "more bang for the buck."

The need for "more bang for the buck"

At one level this boils down to the old complaint over unit costs: American equipment tends to be too sophisticated, too complicated, too unreliable, and too expensive, whereas what is needed is simpler and cheaper hardware, so that the forces can have more of it. At another level, it represents a set of critiques of the structure and strategy of American forces.

Mr Steven Canby, a defence analyst, argues that a reorganisation of force structures and strategies by the U.S. and its Nato allies could provide a very large increase in the West's conventional defence without a large increase in defence costs. One important element would be a shift in the balance of roles, with America increasing its naval and air defence tasks in Nato and Europe increasing ground forces.

Political and emotive considerations have tended to obstruct role specialisation in the past—witness Britain's decision to save money on the navy rather than the army. But it is conceivable that the budget crunch in America may yet force a more active search for new ways of strengthening Western defence which do not depend simply on throwing billions of unconsidered dollars at the Pentagon. If so, we could be on the way to some solutions of the problems which worry the anti-nuclear movement in Europe. On past experience, this may seem a forlorn hope but perhaps this time the combined pressure of Wall Street and the fiscal conservatives in America will make a dent in the traditional defence industry lobby.

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National Defense by James Fallows, Random House 1981.

More Bang for the Buck Michael Gordon National Journal, September 5, 1981.

Nato Defense: The Problem is not more Money by Steven Canby, in American Security Policy and Policy Making.

American Security Policy and Policy Making ed. Harkey and Kolodziej, D. C. Heath 1980.

Nuclear Weapons in Europe, Gregory Treverton, Adelphi Paper 166, IISS.

Ian Davidson

Letters to the Editor

Comparative costs

From Mr J. Barrie

Sir,—In the light of the recent rise in bank base rates from 12 per cent to 14 per cent, I write in an attempt to put into perspective the cost of interest to some business organisations by comparing it to, say, the cost of salaries.

Using latest published accounts for a small sample of diverse trading and manufacturing companies, it seems that the cost of salaries is nine to 12 times as great as the cost of interest. Furthermore, the cost of salaries varies from two to three times the amount of profit before tax, whereas the cost of interest varies from one-seventh to two-sevenths.

Although these comparisons vary from one organisation to another and in particular are not valid for certain organisations such as those in, say, banking, the general pattern is reasonably consistent.

Turning now to the additional cost of interest, stemming from the recent increase in bank base rates, I calculate that this additional cost would be about one-half the cost of, say, a 4 per cent increase in salaries.

Readers are invited to make their own comparisons and to draw their own conclusions.

J. M. Barrie.
31 Foxley Lane, Purley, Surrey.

Policing and crime

From Mr P. O'Brien.

Sir,—Justinian's article (September 14) on the problems of policing and crime displays all the conviction of inexperience and no balance. It is therefore at variance with the British spirit and legal system.

Crime is easily definable to an old lady lying in hospital with a broken femur after being mugged—a rare crime in my experience in the slums of Scotland in the 1930s if only because no one had anything worth stealing. Then poverty meant malnutrition and real deprivation. The idea of mugging an old lady for her few coppers because one's weekly allowance did not cover one's expenses for drugs would have been incredible, as would assaults on the police with petrol bombs. Today the "poor" eat reasonably and are housed adequately yet are afraid to walk the streets of inner cities. They are prisoners in their own homes because of a breakdown in law and order.

There is a difference between compassion and weakness. Will "community policing" reduce the incidence of crime? Will turning a blind eye to "ethnic foibles" like smoking "pot" reduce or increase the appetite for money to buy it? In Glasgow the Razor Gangs were soon broken up by tough policing and long sentences. Will compassion achieve the same result in Brixton?

What matters is not the amour propre of the coloured community but the social health of Britain which has deteriorated alarmingly since the Beveridge report. The effects of such progressive measures as the abolition of capital punishment are concealed by fudging the figures for the number of murders each year. If Justinian is right and Lord Scarman fails the ordinary people of this country by advocating tolerance of crime to appease the "progressives" then our finest hour will have been but the prelude to this country's demise.

Patrick O'Brien.
51, Harpesford Avenue, Virginia Water, Surrey.

Nasty, brutish and short

From Mr D. Kidd

Sir,—Justinian (September 14) adopts the squeamish criticism of the police being made in some quarters and approves development of new styles of "community policing." Hobbes and Locke, the classical political philosophers, had a name for this development: they termed it the state of nature. They differed in their accounts of it.

Hobbes thought it was bleak, a condition where life was "nasty, brutish, solitary and short," his account resembling the recent Department of Environment report which stated fear of crime prevents many people in urban areas going outside their homes, and hating the areas in which they are forced to dwell for the ugliness, loneliness and insecurity of life there. Locke was, perhaps less realistic and took a more favourable view of life without the presence of Government force.

But both were agreed on one essential point: Life in the state of nature involved an absolute right to property (no duty to pay taxes to fund welfarism) and an unfettered right to self-defence against, and private punishment of, wrongs suffered at the hands of other men. Thus Locke, "Men may be judges in their own case. . . . Each transgression may be punished to that degree, and with so much severity, as will suffice to make it an ill bargain to the offender, give him cause to repent, and terrify others from doing the like."

If, therefore, Lord Scarman is going to advise the Government to break the social contract, under which in return for being protected men gave up their natural rights, it means the subject is released from his obligations. He cannot justly, and will not in fact, submit to a situation in which he is denied the means of protection against human predators. Private provision, here as elsewhere, follows Government failure. Thus it is attacks on the police for being tactless and provocative lead in the end to armed vigilantes and private security guards with savage Alsatians.

David J. Kidd.
41, Whittington Road, N.22.

Car prices in Britain

From Mr K. King

Sir,—If the assumption of Mr Lawlers (September 16) is correct, that the high UK prices for cars compared with overseas prices means "someone is making a great deal of extra profit from the UK motorist" then it follows that the export prices are making a normal profit. If this is so, how come British Leyland is losing £1,000 a minute? BL stated that it lost £700 to £1,000 on each MG and TR7, so it seems that the UK price resembles cost, and the export price shows a thumping loss. UK manufacturers howl about "dumping" by Far East European manufacturers; but if the Government is pouring millions per week into exporting industries such as the motor and steel producers, what else is that but dumping?

Recently the Coal Board was crowing that its export trade is booming, thanks to the high price of Australian and other suppliers, and that if prices continue to rise, "in three years we shall be selling at a profit."

So just what is the point of the export drive, when all it seems to achieve is an export of capital? Even Concorde, granted a superb technical triumph, seems to be used mainly by non-British passengers, their fares heavily subsidised by the British taxpayer who has already paid for it to be built, then bought it from himself. And whatever do the "invisible exporters" feel about their praiseworthy efforts being nullified all the time by the material exporters? Can some economist tell me where I am going wrong in my conclusions?

K. C. King.
1 Steep Close, Orpington, Kent.

Concepts of capacity

From the Director, National Institute of Economic and Social Research

Sir,—Mr Samuel Brittan (Economic Viewpoint September 17) contrives to balance a world capital shortage on the extent of under-utilised capacity in British manufacturing industry. The argument involves imaginative intellectual leaps well beyond my comprehension, but I would like to say a word about capacity in manufacturing industry.

There are different concepts of "capacity," some do and others do not embody the notion that it would be imprudent, or even impossible, to plan output in excess of capacity. From the tone of his note it seems that Mr Brittan has in mind a concept of the latter kind. But a moving average is not a good measure for this purpose since its construction entails that output will, on average, be above capacity as much, or as often, as below. A policy of keeping output at or below capacity, so defined, is logically impossible, except in the special case where output is either steadily rising, falling, or constant.

The second difficulty with a five-year moving average is that it has to stop 2½ years ago. To estimate a figure for today requires a forecast of what output will do in the next 2½ years. Whether or not he is aware of it, by putting the moving average for mid-1981 at 94.5, Mr Brittan is forecasting that average manufacturing output over the next 2½ years will be 91.5. Suppose instead that manufacturing were to rebound from now on and rise steadily to 104.5 by the end of 1983. (Is it altogether unreasonable to envisage that a leaner and fitter industry might produce as much by then as the old decrepit industry produced in 1978?) This would mean an average five percentage points higher than that which Mr Brittan is implicitly forecasting over the next 2½ years and the degree of excess capacity at the present time would rise by nearly half from 6 percentage points to 8½.

The question how much British manufacturing industry could produce if demand were to revive is undoubtedly an important one, particularly after the recent catastrophic fall in output. Moving averages will not provide an answer to this question, they merely beg it.

G. D. N. Worswick,
National Institute of Economic and Social Research,
2 Dean Trench Street, Smith Square, SW1.

The heavy truck market

From the Deputy Chairman, ERF

Sir,—While agreeing with the general findings of Messrs Pokorny, Dorward and Bayldon in the survey of the heavy truck market (September 19), may I raise a point they appear to have overlooked? ERF's market share has fallen but we believe that this is in no way due to under-investment on our part. In fact, we have devoted considerable finance and effort in research and development to produce lighter-weight vehicles capable of carrying greater pay-loads without increased fuel consumption. These are now available in the market and are generating great interest among vehicle operators.

We consider that the prime cause of our current reduced market share is our decision not to follow the discounting practices of manufacturers who are either supported by the use of UK taxpayers' money or funds from corporate headquarters overseas. The use of such subsidies may have achieved their immediate aim of increasing present market shares but at a price which could prove ruinous.

Economic reality will eventually assert itself as some of these manufacturers are already learning to their cost. We believe that our (ERF's) policy of continuous development of advanced engineering and after-sales service support will in the long run prove to be the decisive factor.

E. D. Green.
ERF, Sun Works, Sandbach, Cheshire.

The price of gas

From Angela Clark

Sir,—In response to the letters of Cdr Hyde C. Burton a few weeks ago, I thought your readers might like to know that for the past year I have been collecting signatures to present a petition in due course against the present extortionate price of gas, and announced future increases.

I am 27 years old, single and a householder, and wish to make clear to the Government that we, the public, are no longer prepared to sit back and accept any increases that gas, and other public services impose upon us. So far I have got 25,000 signatures, having spoken at pensioners' rallies and other meetings, and received good publicity through the Press and local radio.

It is time that we all spoke out against the state monopolies and I hope some of your readers will feel the same.

Gas prices are to go up in October, again in April, and yet again next October. We can't sit back and let this happen without our feelings ever being made known!

I may add that I have been made redundant from my job and have used my time in promoting this campaign entirely at my own expense.

Angela R. Clark.
42 Seagrave Crescent, Gleadless, Sheffield.

Today's Events

GENERAL

UK: Wales: Trade Union Congress on report on the creation of jobs.

Institution for Fiscal Studies conference on tax and small businesses, London.

Headmasters' Conference opens at Christ Church College, Oxford (to September 23).

Mr William Rodgers speaks on marketing the Social Democratic Party, at Institute of Public Relations luncheon, London.

Prince Charles opens Disability '81 Exhibition, Glasgow.

Mr Roy Jenkins speaks at Glasgow Chamber of Commerce meeting.

OVERSEAS: Mr Peter Rees, new Trade Minister, on tour of Thailand, Malaysia, Singapore and Indonesia.

Sir Keith Joseph visits Hong Kong.

Belize attains independence. Princess Michael of Kent represents the Queen at independence celebrations.

COMPANY MEETINGS

Rexmore, Atlantic Tower Hotel, Chapel Street, Liverpool, 12.00; Vibroplant Holdings, Queen's Hotel Leeds, 1.00.

CITY OF LONDON LUNCH-TIME MUSIC

Piano recital by Gillian Spragg, St. Lawrence Jewry, 1 pm.

Organ recital by Wayne Marshall, St. Michael's, Cornhill, 1 pm.

Organ recital by Rosemary Field, St. Martin-within-Ludgate, 1.15 pm.

Guildhall Cemerata, St. Anne and St. Agnes.

The businesses of Jones the Vote

By Ian Hamilton Fazey in Liverpool

TUCKED IN an upstairs corner of a shabby 19th century red-brick warehouse near the Liverpool docks, Sir Trevor Jones's office is a cluttered advertisement for the emporium that is his company.

He peers across his desk through stacked packets of Bird's custard, round tins of Castella cigars, bundles of ball-point pens, cartons of Lifebuoy soap and packs of Wrigley's Spearmint gum.

It is hardly the image expected of the one Liberal leader to exercise real power and control in Britain, otherwise known as Jones the Vote of recent Liberal revivals and leader of Liverpool City Council. Sir Trevor does not care: he believes that results matter more than appearances. His results have been impressive.

From joining Liverpool City Council as one of only two Liberals in 1968, he applied marketing management principles to electioneering practice and won control for his party by the time local government was reorganised six years later.

He thinks that politicians should possess the attitudes and qualities needed to run a successful business. Sir Trevor, knighted last New Year and now in his early 50s, can talk like that because he has been successful in both fields.

It is 20 years ago now since he bought his first company. It was called R. A. Dean and it made the bundles of hazel rods used by ships as fenders to stop them banging the quay. He cannot now remember how much he paid for it "except that it was not very much." The first year's turnover was about £3,000.

Dean is now the umbrella company for all his other business activities, which take in sail-making, car seat covers, ships' stores and chandling and Middle East export markets. In its current financial year Dean expects a turnover of about £4.2m.

Sir Trevor's ships' stores company, Joseph P. Lamb and Sons, has developed the concept of one-stop shopping for ships and, more recently, for work camps in Middle Eastern deserts. The company claims to supply anything, from a needle to a second-hand anchor. It keeps 15,000 lines in stock, occupying 200,000 sq ft in 12 warehouses around Liverpool.

Things were rather different in the early days. Sir Trevor, born in Bootle of a Welsh father, went to sea at 16. He was third mate with the Harrison Line at 22 when he came ashore and got a job on the dock as a boatman.

Boatmen go out to ships in gig boats, pull mooring ropes ashore, rig gangways and lash cargo. One of the virtues of the work for the would-be moonlighter is that it is tidal. Sir Trevor found that by working on the night tides he could run his man-and-a-boy operation at R. A. Dean during the day.

But his company was threatened in 1963 when its landlord, a canvasware and sail makers called J. Nickel and Sons, closed on the owners' retirement. He bought it. Sir Trevor continued to work at night as a boatman. By day his company made pilot ladders, cargo nets, lifeboat covers and sails.

Joseph P. Lamb came up for sale four years later. The company had been in business as a ships' chandler since 1784, supplying mainly hardware. The Lamb family, with no heirs to succeed them, wanted to retire and were considering an offer from United Mersey Supply, which had been formed from the merger of several smaller companies.

Harrison Line, which Lamb had supplied throughout the shipping company's lifetime, grew worried about a possible UMS monopoly and offered Sir Trevor the money to buy Lamb if he would run it. As things turned out, he was able to raise the £23,000 needed from what he had built up already and, since Lamb had nearly £7,000 in cash at the bank, considers he got the business cheaply.

But it was an uphill struggle to ensure its survival. Shipping was undergoing continuous and dramatic changes. Ships were getting bigger, fewer, and more efficiently designed to use space profitably. Containerisation and other forms of bulk transportation meant that the days of the traditional general cargo trade on which Liverpool in particular, then Britain's biggest general cargo port, depended, were numbered.

Sir Trevor left the docks to work full-time on restructuring his companies. He turned Nickel to tailor-made car seat covers and became one of the pioneers of one-day sales in Britain. On Saturday nights he would take the right hand front page earpiece advertisement in local papers in various parts of Britain. The next day, at a shop hired for 24 hours, orders would be taken, with the finished goods available a week later.

The company sold 400 sets of covers at £8 each a week. The business remained lucrative for five years until 1972, when cheap, stretch covers became available. Sir Trevor switched into making 1,000 cycle bags a week for Raleigh for a year, while frantically looking for what to do next.

Meanwhile, however, he had changed Lamb into a general supplier by going into food and drink as well as hardware. This enabled him to offer a supermarket service to ship owners—one-stop shopping that would enable the ship to stock up on everything, including goods that Lamb's own manufacturing base in both Nickel and Dean could also supply.

The only trouble was the continuing decline of shipping traffic into Liverpool. Lamb decided to follow the ships. Sir Trevor says: "The British owner has always preferred British equipment and stores because he is familiar with them. Provided we are competitive on price, they prefer to buy from us. So we decided to stick everything into containers and drive to Rotterdam or Marseilles or Genoa or Cadiz or wherever the ship was turning round. Since we offer that service free, it means that margins are compressed. But we try to recoup by carrying return loads of general freight."

The problem of how to keep Nickel going was solved in 1973 when Sir Trevor looked over a new Nigerian ship that had just docked in Liverpool. Concerned at the amount of fibre glass and synthetic material it contained—a development that would wreck his canvasware business—he realised that the one thing a ship had that would still be there in 50 years' time was its flags.

He switched Nickel into flag making and that has kept the company at capacity since. Nickel supplies only the maritime trade, sticking by the ships when other flag makers are chasing temporary booms caused by royal weddings. In return, the ship owners have stuck by him.

Turnover has increased continuously, with one exception. In 1979-80, Sir Trevor's companies topped £3m but a combination of recession and unfavourable exchange rates pushed the 1980-81 figure down to £2.7m. A classic "what-business-are-we-in?" period of self-examination led to the realisation that experts at supplying ships should be able to supply other markets, too.

Lamb had already supplied some engineering companies with various items, but that was business which walked through the door. In the past year Lamb has gone after the factory supply market, and aims to cover everything from spare parts to overalls. The company is also expanding in the Middle East, where it already operates as agent for several other companies, providing water treatment plants and biscuits. New business this year will include cordials to North Africa, cigarettes to Egypt, and a new, round, soft caramel—developed by Lamb for the less robust Arab teeth and made for the company by a Blackpool sweetmaker to a secret specification.

Sir Trevor says: "What drives me on is that I have so many mouths to feed. Every week we've got to fill 60 odd wage packets. We have to keep making profits and putting them back into the company."

Sir Trevor Jones: results matter more than appearances.

Many of his employees live in central Liverpool, including the Toxteth area. He feels strongly about providing work in inner cities, whose regeneration, he believes, can come only from private sector investment, creating real jobs.

It was a threat to his company that took him into politics. In the mid-1960s plans for a Liverpool inner city motorway threatened the Nickel premises with demolition. Sir Trevor was elected chairman of the lobby formed by the small companies affected to fight the proposals. Though the battle was lost, he joined the Liberals, deciding that their manifesto promised the sort of society he most wanted to see.

The legend of Jones the Vote came as he set up party machines in ward after Liverpool ward, tackling everyday problems and winning votes at grassroots levels. He says that Labour's leftward lurch, which is particularly pronounced in Liverpool, home of the Militant Tendency, has helped the Liberals no end.

Nationally, he feels he made his greatest impact when president of the Liberal Party in 1973. "I had terrible arguments with David Steel and Jeremy Thorpe on how many seats we should fight," he recalled. "We had a higher rating in the polls than either of the other two parties, but they were talking of fighting only 350 seats. Thorpe put me in charge of reviving derelict constituencies. I got us fighting 519 seats and that was why we got 6m votes.

"You can't vote Liberal if there isn't a candidate. If we had fought every constituency people would have known that we really wanted power and we would have got 10m votes. After February, 1974, I had to get on with running Liverpool and my company. Except for running the Edge Hill parliamentary by-election, which David Alton won in March, 1979, I haven't been active nationally since then.

"We didn't take our chances well enough in 1972-74," he says. "The alliance is now the only way forward. We all have reservations about it, but when it gets to power it will be the next best thing to a Liberal Government."

"Now, I'll only get involved if there's a job for me to do, which means being in government. Just being an MP would be like being a zombie. They measure success in terms of column inches. I prefer practical achievement to be able to say: 'But for the fact that we were here, that would not have happened.'

"Up here, we're running a city with a budget bigger than Luxembourg. We turn over about £400m and have 32,000 staff. It would be just ego-tripping to leave that to pose in the lobbies of Westminster and hope to get your name in the Guardian."

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

£000's capitalisation	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
1,134	ABI Hldgs. 10pc CULS	114	+1	10.0	8.8	—	—
4,110	Airsprung	71	—	4.7	6.6	11.3	15.6
1,125	Armitage and Rhodes	45	—	4.3	9.6	3.8	8.5
11,356	Bardon Hill	196	—	9.7	4.9	9.5	11.6
7,924	Deborah Services	103	—	5.5	5.3	5.1	9.7
4,129	Frank Horsell	112	+2	6.4	5.7	10.1	24.3
8,812	Frederick Parker	61	−2	1.7	2.8	26.5	—
1,089	George Blair	59	−3	—	—	—	—
4,143	IPC	122	—	7.3	7.2	7.3	11.1
2,631	Jackson Group	104	−1	7.0	6.7	3.3	7.4
16,976	James Burrough	123	−2	6.7	7.1	9.0	11.3
3,060	Robert Jenkins	300	—	31.2	10.4	4.2	10.6
2,680	Scruttons "A"	58	—	5.3	9.1	8.9	8.4
2,877	Torday	1	—	15.1	8.1	7.2	12.4
2,671	Twinlock Ord.	12½	−0½	—	—	—	—
3,047	Twinlock 15pc ULS	75	—	15.0	20.0	—	—
5,728	Unilock Holdings	38	—	3.0	7.9	6.8	11.5
11,534	Walter Alexander	91	+1	6.4	7.0	6.0	10.6
5,331	W. S. Yeates	221	—	13.1	6.7	4.4	8.9

† Suspended.

THE TRING HALL USM INDEX

119.0 (−1.7)

at close of business 18/9/81

BASE DATE 15/11/80 100

Tel.: 01-248 5675

CORAL INDEX

Close 317-322 (−15)

UK COMPANY NEWS

Habitat abandons Ryman talks

MR TERENCE CONRAN, chairman of Habitat Design Holdings, the home furnishing stores group, said yesterday that his group had entered into initial negotiations with the Burton Group, for the purchase of Ryman, Burton's stationary chain, but these "have been abandoned."

He continued: "We did have a quick look at Ryman's figures last week. We spent a day looking at them but decided that they were not interesting. We communicated our decision through our advisers Morgan Grenfell."

The discussions, which had taken place last week, were conducted against a background of preparation for the public flotation of Habitat.

"Obviously we could not have completed a deal before the flotation," he said. "But we did know the business rather well. They were the most tentative discussions to see whether it was worth any further effort."

Mr Conran's association with Ryman dates back to the late 1960s when he was joint chairman of the then Ryman Conran company.

PILKINGTON SETS UP FRENCH COMPANY

Pilkington Brothers is establishing Pilkington Optique S.A. in France to acquire some of the assets at Goetzenbruck, Lorraine, of Vergo S.A., an opthalmic manufacturing company.

Vergo, founded in 1721, was acquired by an American optical company in 1973. It was placed in receivership in May.

The cost of the acquisition represents less than 1 per cent of the assets of the Pilkington group.

Pilkington Optique will manufacture semi-finished bi-focal glass lenses and hard resin sheet, keeping about 170 of the 385 people previously employed at the Goetzenbruck factory. Production is planned to restart at the end of the month.

TAURUS OFFERS UNCONDITIONAL

Acceptances to the offer of Tricoville Taurus amount to 1,399,111 Tricoville ordinary shares and 503,311 10½ per cent preference shares.

Taurus now hold or has acceptances in respect of 3.8m ordinary (95.37 per cent) and 501,311 preference shares (83.55 per cent). Offers now unconditional and remain open.

New moves in Illingworth Morris boardroom battle

LEGAL MOVES are likely this week in an attempt to thwart Mrs Pamela Mason's plan to remove the UK executives of Illingworth Morris, the Yorkshire woollen textile group, at a special shareholders' meeting on October 1.

Miss Isabella Ostrer (now Mrs Blench) has applied to the courts to have Mrs Mason removed as executrix of the will of her late father Mr Isidore Ostrer, and have a judicial trustee appointed.

But this action is not due to be heard until next May—the first fixed date available in the Chancery Division at the time of the application — and Mrs Blench's lawyers are seeking to have the hearing brought forward.

In the meantime Mrs Blench is to apply for an interim injunction to prevent Mrs Mason using her voting power over 46 per cent of the company's shares to have Mr Donald Hanson, the chairman, and Mr Peter Hardy, the joint chief executive of Illingworth, removed from the board. At the same time the UK directors are seeking to have Mrs Mason and her son Morgan removed from the board.

The hearing of the application for an interim injunction is expected to take place shortly. At the same time an application is to be made for the appointment of a Receiver of the Ostrer estate and have it put in the hands of an interim trustee until the hearing takes place.

Under her father's will Mrs Mason and other beneficiaries on her father's side were left a 19 per cent direct stake in Illingworth, as well as 60 per cent of Lothbury Trust, which owns a further 27 per cent of the group. Mrs Mason's cousins — Maurice Ostrer's beneficiaries—who have been left the remaining 40 per cent share in Lothbury are also unhappy with what they see as the supression of their minority interest by Mrs Mason who has been using her majority on the trust to vote all its shares.

In the absence of a legal block to Mrs Mason's plans before the meeting takes place at the end of next week the only hope for the besieged directors is to remain on the board to muster the support of substantially all of the group's 2,000 plus small shareholders. Hill Samuel, the group's adviser, will be telephoning shareholders in an attempt to win their support.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Beatson Clark, Cakebread Robey, Federated Land, Fisons, Pittard, Ransomes Sims and Jefferies, Simon Engineering, Tarmac, Telephone Rentals, Welbeck Investments.

Finals: Minerals and Resources Corporation, Second City Properties, The Investment Trust.

FUTURE DATES

Interims	
Astbury and Madeley	Sept 25
Barlow Holdings	†Oct 7
Estates and General Investments	Oct 1
Firmin	Oct 8
Green's Economiser	Oct 8
Hanger Investments	Sept 28
MacLellan (P. and W.)	Sept 23
Office and Electronic Machines	Oct 1
Scottish Television	Oct 8
Senior Engineering	Oct 13
Wilkinson Warburton	Sept 24
Finals	
Dalgety	Sept 29
Galliford Brindley	Sept 28
Mills and Allen International	Sept 23

† Amended

HOME VIDEO

The placing of 220,000 shares of Home Video Holdings at 115p per share has been completed by Hill Woolgar.

The shares are unquoted, but dealings by Hill Woolgar began on Wednesday and have taken place at 140p.

Hogg Robinson optimistic

The first quarter figures of Hogg Robinson Group were encouraging, Mr Morris Abbott, chairman, told shareholders at the AGM, but added that the period was not always a reliable guide to the full year's results.

The group would be aided by the weakening of sterling against the U.S. dollar, if this continued —as the Stock Market had already anticipated. On the other hand Hogg Robinson would be absorbing the initial costs of its U.S. acquisition which had so far gone smoothly.

"We continue to be encouraged by the enthusiasm and drive of the senior executives of the company," he said.

The group would be looking to the specialist areas of its insurance activities and to its expanding travel and security operations for its growth, Mr Abbott added.

As reported in July the group advanced from taxable profits of £8.62m to £9.02m in the year to March 31, 1981, on turnover of £45.31m compared with £38.16m.

Hogg Robinson carries on the business of international insurance and reinsurance broker benefit consultant, Lloyds and reinsurance underwriting, security and financial services, leasing, travel and shipping agent.

SHARE STAKES

International Investment Trust —Standard Life Assurance has purchased 1.05m ordinary shares making holding 3.84m (11.2 per cent).

A & G Security set for USM

A and G Security Electronics, which its owner Mr Gerard McNamara says is the largest manufacturer of burglar alarm control panels in the UK, is about to make its debut on the Unlisted Securities Market.

With the help of stockbrokers Henry Cooke, Lumsden, A and G is raising £800,000 by placing nearly 20 per cent of its equity valuing the company in excess of £4m. A and G will get £200,000 after expenses and Mr McNamara will collect the balance.

Following the placing A and G will have cash of £400,000. The issue and quotation on the USM is being made in order that the company can use cash and marketable securities to widen its product base by way of acquisition.

This will be Mr McNamara's second involvement with a public company. He was joint managing director of Granley Security Group, a burglar alarm installation company. This went public in 1972 with an offer for sale of 1.1m shares at 72p each which netted Mr McNamara £150,000 and left him with an eighth of the equity—400,000 shares.

Granley was subsequently taken over by Chloride in an agreed cash and equity bid. Mr McNamara stayed with Chloride for 18 months, but left to take control of A and G, which had been a former Granley supplier of control units for burglar alarm systems.

When Chloride bought control of Granley it started sourcing control panels internally and A and G lost its main customer.

When Mr McNamara bought A and G, the company was supplying panels wholly for commercial use. He developed a system for residential use and currently more than 60 per cent of the company's sales go to this market.

A and G moved into new premises at Oldham employing 40 people last year and re-equipped its manufacturing capacity at a cost of between £80,000 and £90,000. Output has, Mr McNamara says, been lifted to 30,000 control panels a year, against the 6,000 produced in 1976.

A third of the company's output is sold to security companies.

In total, Mr McNamara estimates that the annual rate of security alarm system installation is running at between 110,000 and 120,000 units a year.

In the year ended July, 1977 A and G turned in profits of £4,000 from sales of £173,000. Three years later profits were up to £91,000 and last year a pre-tax level of £314,000 was achieved from sales of under £1m.

When the prospectus is published there will be a profits fore cast for the year to July 1982 indicating a further improvement.

Pentlow dealings restart

Dealings in Pentlow Holdings, formerly Padang Jawa Rubber Estate, have begun again under Stock Exchange rule 163 (2) following a reconstruction of the company.

Mr J. P. Pashley, chairman, bought 82 per cent of the shares last January and has used it to acquire Fred Bentley, which owns Bentleys Restaurant and Oyster Bar in London's West End, and a wholesale food business, plus four small clothing companies.

The group intends to apply to the Stock Exchange for a quotation on the Unlisted Securities Market after its next year end in March, 1982.

Net assets are said to be £316,000 after borrowings of about £700,000. At an EGM last month the authorised share capital was increased from £75,000 to £500,000. A rights issue and placing of the 10p ordinary shares is planned for when the group comes to the USM.

Mr Pashley has sold some of his shares, but retains 65 per cent. Other directors hold 18 per cent and the public the rest. Brokers to Pentlow are Lyddon and Co.

WRIGHT SCIENTIFIC

Amicon Corporation has purchased the outstanding shares of Wright Scientific, Stonehouse, Gloucestershire for about $800,000, principally in cash.

Wright is a producer of chromatography equipment used in pharmaceutical and biological production.

BET adapts to trading fall

A LOT of work has been done by the subsidiaries and associates of the British Electric Traction Company to adapt to current trading conditions, and nowhere in the group is the future viewed with apprehension, Sir John Spencer Wills, chairman, tells members in his annual statement.

He adds, however, that he is in no better position than last year, to make a forecast of the likely results for 1981-82.

As known, pre-tax profits for the year ended March 31 1981 fell from £70.9m to £60.8m. The chairman explains that in the early part of the period, profits were running at somewhere near the previous year's level, but trading conditions worsened markedly and profits suffered accordingly in the second six months.

Sir John says that redundancies had "quite a major effect upon the final figures." These totalled 2,200 for the year at a cost of over £3m.

Trading profits from North America increased from £1.6m to £2.6m and should show an even more marked advance in the current year, with the acquisition by Argus Press of a publishing company in Atlanta, Georgia, and the opening of an office by Grayston in Arlington, Texas, Sir John states.

In a divisional review the directors say the current year has started well in freight and passenger transport, with six months' profits well ahead, and that there appears to be reasonable prospects at Rediffusion, on the television, relay and electronic side.

Prospects for expansion are still good, as a whole, they state, in the linen hire and laundry sector, but the group's plant hire companies are experiencing another difficult year, with no indication of any improvement in the depressed level of the construction industry.

The directors add that the current year in the films and television ancillary services sector is again likely to be disappointing, with the business of film laboratories still somewhat flat.

As at March 31 the group balance sheet shows shareholders' funds at £327.4m (£292.5m), and net current assets of £26.87m (£22.11m).

Meeting, Connaught Rooms, WC, October 15 at 12.15 pm.

Sonic Sound improvement

Sonic Sound Audio Holdings, the hi-fi equipment retailer which came to the stock market at the beginning of the year, reports an improvement in overall trading in the last six weeks.

The company has already forecast a pre-tax profit of not less than £800,000 for the year ended October 31 1981. But Mr Lionel Astor, the chairman and joint managing director, said in July that—attainment of this figure was "likely to be dependent on an improvement in trading conditions for the rest of the financial year."

The company has recently increased its retail selling space by over 10,000 sq ft through the acquisition of four new outlets. All these will be operational in the current year.

Including the new outlets, Sonic now operates from 11 stores with a total selling area of some 29,000 sq ft.

FT Share Information

The following securities have been added to the Share Information Service:—

Fleet Street Letter (Section: Newspapers).

Markheath Securities 54.6% Pfd. (Property).

SPAIN

1981 High	1981 Low		Sept 18 Price %
388	251	Banco Bilbao	385
395	280	Banco Central	382
436	229	Banco Exterior	335
346	239	Banco Hispano	331
128	119	Banco Ind. Cat.	119
410	264	Banco Santander	385
249	148	Banco Urquijo	249
404	263	Banco Vizcaya	404
288	204	Banco Zaragoza	270
223	82	Dragados	205
81	45	Espanola Zinc	76
74.2	55.5	Fecsa	71.5
65	32	Gal. Preciados	59
88	63.5	Hidrola	81.5
62.5	62	Iberduero	58.2
128.7	70	Petroleos	122
85	70	Petroliber	82
102	51	Sogefisa	51
90	60	Telefonica	87
82.5	60	Union Elect.	78

Public Works Loan Board rates

Effective from September 19

Years	Quota loans repaid by EIP†	Quota loans repaid At‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At‡	Non-quota loans A* repaid at maturity§
Up to 5	15¼	15½	15¼	16	16	16
Over 5, up to 10	15¼	15¾	15½	16	16¼	16¼
Over 10, up to 15	15½	15¾	15¾	16¼	16¼	16¼
Over 15, up to 25	15¾	15¾	15½	16¼	16¼	16
Over 25	15¾	15¼	15¼	16¼	16	16

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS BY ALAN FRIEDMAN

Market hopes for a lasting rally

"IF YOU want to know who the next major borrowers are going to be, just look in your dictionary from A to Z."

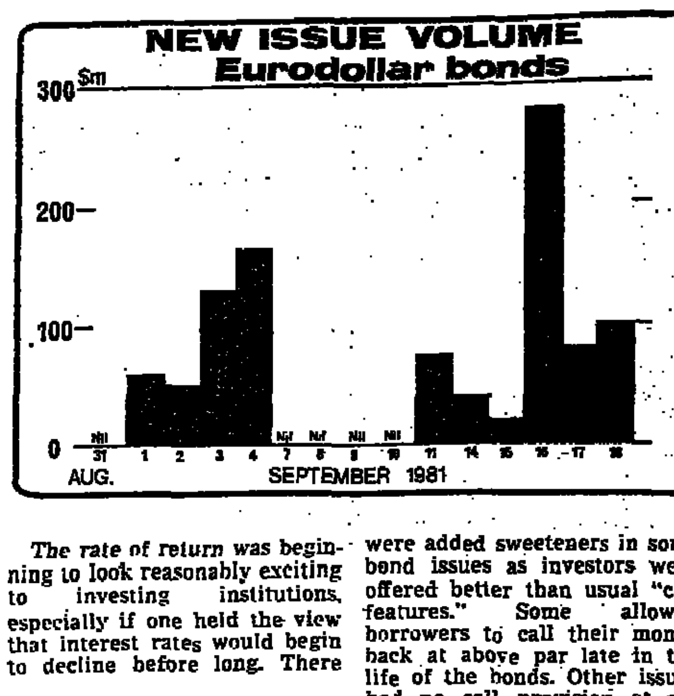
This advice, proffered by a London-based investment banker, came on Friday afternoon, at the end of a busy and generally positive week for the Eurobond market. In the dollar, Deutsche Mark and Swiss Franc sectors bond prices had risen every day on average and traders began to express cautious hopes that the rally *would last.*

Their hopes were based upon changes in short-term interest rates and currency markets. Following the decline of Fed Funds rates in the U.S., six-month Eurodollar rates fell last week as well. By Friday night the six-month Eurodollar rate was 17⅝ per cent, compared with 18 5/16 per cent a week before.

In the currency markets, the D-Mark and Swiss Franc both improved against the U.S. dollar, providing strong impetus for the foreign bond markets in Frankfurt and Zurich.

The dollar sector saw $520m of new bond issues last week, including $100m for Tenneco at 17 per cent, $50m for the City of Winnipeg at 17 per cent, and $60m for New Brunswick Electric Power at the same coupon. As the week progressed there were Japanese and Swedish convertible issues, as well as further straight dollar issues. On Thursday Gulf States Utilities appeared with a 17¾ per cent $50m bond and the week was capped on Friday with a $100m offering for the Canadian Imperial Bank of Commerce, carrying a 16¾ per cent coupon.

Yet more lay behind last week's market upturn than Eurocurrency rates alone. Borrowers, in one banker's view, were "finally coming around" to higher priced coupons.



The rate of return was beginning to look reasonably exciting to investing institutions, especially if one held the view that interest rates would begin to decline before long. There were added sweeteners in some bond issues as investors were offered better than usual "call features." Some allowed borrowers to call their money back at above par late in the life of the bonds. Other issues had no call provision at all, making them attractive to investors seeking to profit from high coupons for the full life of the bond.

With the opening of the Eurodollar bond window, the market started worrying *whether there might be a flood* of new issues which would kill off any chances of a sustained rally. Last week's diet of $500m was digestible: it is unclear when the Eurobond market will begin to feel overstuffed.

Average prices of D-Mark bonds were up 1¼ points on the week and the currency improved so much against the U.S. dollar that a new DM 100m bond for Belgelectric was launched by Deutsche Bank on Friday with the now familiar 11 per cent coupon.

The 10-year issue was priced at 99 to yield 11.17 per cent and was said by West German investment bankers to be the first of a new trio of D-Mark issues expected within days.

Swiss Franc bond prices also rose, gaining 1¼ points on the week. As six-month interest rates reached a high level (10⅞ per cent), the Swiss Franc rose to SwFr 1.95 to the dollar against SwFr 2.05 a week before.

The Swiss market is very sensitive to currency movements and recent issues were doing well on Friday. The Republic of Austria's 8¼ per cent bond issue to 1991 closed the week at nearly 102 against its issue price of 99¼.

This week a Swiss Franc bond issue is said to be coming from the Inter-American Development Bank, possibly tomorrow.

Despite last week's general optimism, hardened Eurobankers *recall that rallies have* been killed off in the past by "too much too fast." The queue of highly-rated borrowers waiting to make their appearance is sizeable and history has been known to repeat itself.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡†Korea First Bank	30	1989	—	7¼◆	100	Merrill Lynch, Chase	7.681◆
‡†Leumi Intnl. NY	60	1988/91	—	6◆	100	Bank Leumi (UK)	6.060◆
‡†Korea Exchange Bank	30	1988	5	7¼◆	100	CSFB, Man. Hanover Saudi Intl.	7.451◆
‡§Settsu Paper Board	20	1996	15	5¼	100	Daiwa Securities	5.500
†Credit Foncier de France	75	1988	7	5¼◆	100	Nat. Bk. of Abu Dhabi	5.319◆
‡Prov. of Newfoundland	60	1989	7.3	17¼	100	CCF, Dominion Secs.	17.250
§L. M. Ericsson	40	1996	14½	9¼	100	Svenska Handelsbanken, Warburg, Skan. Enskilda	9.309
§Sumitomo Real Estate	20	1996	15	5¼	100	Daiwa Securities	5.500
§Fuji Electric	30	1996	15	5¼	100	Daiwa Securities	5.500
§Fujisawa Pharm.	40	1996	15	5¼	100	Yamaichi Securities	5.500
‡Tenneco	100	1989	8	17	99½	Morgan Stanley, Merrill Lynch	17.119
‡City of Winnipeg	50	1986	5	17	100	Wood Gundy	17.000
New Brunswick El. Pwr.	60	1988	7	17	99½	CSFB	17.119
§‡AGA	30	1996	15	9½	100	Hambros, Svenska Hbn	9.500
Gulf States O/S Fin. NY	50	1988	7	17¾	*	CSFB	*
CIBC	100	1991	10	16¾	100	Hambros Bank	16.750
CANADIAN DOLLARS							
‡GMAC Canada	60	1988	7	18	100	Morgan Stanley	18.000
Federal Bus. Dev. Bk.	50	1986	5	17¾	*	Wood Gundy	*
D-MARKS							
‡**OKB	150	1986	5	11	100	Deutsche Bank	11.000
Belgelectric In. BV	100	1991	10	11	99	Deutsche Bank	11.171
SWISS FRANCS							
‡**Bayernwerke	25	1985	—	8	100	Credit Suisse	8.000
‡**Credit Suisse (Luxem.)	25	1985	—	7½	100	Credit Suisse	7.500
‡**§Sogo Stores	50	1987	—	6	100	UBS	6.000
‡Republic of Austria	100	1991	—	8¼	99	Credit Suisse	8.409
City of Gothenburg	65	1991	—	8¼	*	UBS	*
‡**§Nichicon Capacitor	30	1987	—	5½	100	UBS	5.500
STERLING							
‡§Nippon Electric Co.	30	1996	15	5¾	100	CSFB	5.750
‡Utd. Mexican States	50	2008	27	16¼	97.33	County Bank	16.97
YEN							
‡Industl. Fd. Finland	5bn	1993	9	8.6	99.40	Daiwa Securities	8.870
‡Thailand	10bn	1991	8	9.2	99.45	Daiwa Securities	9.501
KUWAITI DINARS							
‡Eurofima	6	1989	7	11	99¼	KFTCIC	11.147
GUILDERS							
‡**World Bank	150	1986	5	12¾	99¼	ABN	12.89
EIB	200	1993	12	12¾	*	AmRo, ABN	*

* Not yet priced. ‡ Final terms. ** Private placement. † Floating rate note. ◆ Minimum. § Convertible. ‖ Postponed. †† Registered with U.S. Securities and Exchange Commission. ‡‡ With warrants.
Note: Yields are calculated on AIBD basis.

U.S. BONDS BY DAVID LASCELLES

Budget gloom lifts a little

A DROP in short-term interest rates and signs of a weakening economy helped rally U.S. credit markets last week and even enticed some corporate borrowers to sell debt. But a sustained decline in rates does not yet seem to be in the offing.

Fickle as they are, the markets seemed to forget all their fears about the Federal budget deficit and made the most of the improved tone that was set by the drop in the Fed funds rate, which traded in the 15½-16 per cent range. At this level it gave the yield curve an upward slope out as far as *about five years, where* Treasuries were yielding about 16 per cent, presenting traders with a rare opportunity to take on inventory at a profit.

The drop in funding costs also paved the way for a cut in the prime rate at the large commercial banks from 20½ per cent to 20 per cent, the first widespread reduction for two months. If the market keeps to its course, there could be another prime cut as early as this week.

The market also drew encouragement from a string of statistics released in Washington, which suggest that the economy might finally be heading for recession. This will *take some of the pressure out* of loan demand: housing starts, retail sales, factory operating rates are all down, and the Commerce Department predicted that third quarter GNP would be at best unchanged and possibly down 0.5 per cent.

Although the Fed supplied the market with funds and contributed to the fall in the Fed funds rate, Mr Paul Volcker, the chairman, made it clear in testimony to Congress on Capi*tol Hill that he is not easing* up on monetary policy, as some people had speculated. The Fed is nevertheless under mounting pressure to slacken off a bit, and analysts are predicting a partial cut in the penalty discount rate, which is currently 18 per cent.

The Fed's willingness to pump funds into the system could backfire, however. Some analysts fear it will trigger a new spurt in the money supply in the final quarter which is already shaping up as a time of heavy public and private borrowing. Any major recovery in the bond market will also unleash an avalanche of postponed new debt issues which *would swamp a rally.*

There were already signs of this last week. Xerox Credit Corporation, the finance subsidiary of the office copier company, took advantage of the slight drop in corporate borrowing costs to bring to market $100m of ten-year notes which it had first announced back in July but had postponed because of soaring interest rates. The issue, priced to yield 16.073 per cent, was the first by a major industrial borrower since early July.

The big issue this week will be tomorrow's $300m of Southwestern Bell bonds which should provide the long term corporate market with a key test. Last week Bell issues were yielding 17 per cent.

Barclays American Corporation, the U.S. subsidiary of the British clearing bank, plans to offer $200m of nine-year notes carrying a zero coupon but priced at a sharp discount to given investors an appropriate yield to maturity.

CREDITS BY PETER MONTAGNON

Business slack ahead of IMF meeting

BUSINESS IN the Eurocredit market remained at a very low ebb last week with mandates, expected to be on ultra-slim margins, still awaited for major loans by Indonesia and Malaysia.

Most Eurocredit bankers are looking to the forthcoming International Monetary Fund annual meeting to set the ball rolling again, but some also say that the market has turned more volatile making it hard for banks and borrowers to agree on appropriate terms.

In some cases, such as France, Greece, and Eastern Europe, this is largely the out*come of political developments.* In others such as Mexico, Brazil, and Italy, it is due to market saturation with existing borrowings, while the economic outlook in a further group of countries, such as Belgium and Argentina, makes the correct pricing of Euroloans extremely hard.

Argentina's return to the market after a three-month absence because of its political crisis was, for example, clearly on over-generous terms for lenders. With margins starting at 1¼ per cent over London inter bank offered rate (Libor) declining in stages to 1 per cent and a U.S. prime pricing option, this loan attracted a sell-down of around $450m, allowing the total amount to be raised from $500m to $600m.

Neither lenders nor borrowers in this market can allow themselves to price their credits too far out of line. In a volatile market, the result could be a stand-off between the two sides resulting in a decline in new business volume similar to that witnessed in early 1980.

This time, however, there seems to be little chance of *spreads falling again when lend*ing resumes apace. Only in the Far East are they still pointed clearly lower; elsewhere they are generally agreed to be at rock-bottom already.

The main development of last week was not in fact a new mandate, but a humiliating cut of $300m to $200m in the Euroloan facility being arranged for Pemex, Mexico's state oil concern, by European Banking Co.

This was mainly due to competition between *this loan and* the highly successful £365m sterling acceptance facility for the same borrower. Some banks even switched sides in midstream, opting out of the dolar loan into the sterling deal.

This came as a surprise to the borrowers who had thought that the two markets were entirely separate. Their experience shows how hard it can be to diversify sources of funds in world financial markets which have become linked more inextricably than ever before.

Banks renegotiating Poland's foreign debt, meanwhile, have set September 28 and 29 as the dates of their next task-force meeting in Vienna.

Little further progress in the negotiations was reported last week, although there were evident signs of growing nervousness as relations between Warsaw and Moscow deteriorated.

U.S. INTEREST RATES (%)

	Week to Sept 18	Week to Sept 11
Fed Funds wkly avge	15.85	16.33
3-month Treas. bills	14.29	14.85
3-month CD	16.40	17.15
30-year Treas. bond	14.24	14.67
AAA utility	17.00	17.00
AA industrial	18.13	16.13
20-day visible supply	8.1	7.4

Source: Salomon Bros., First Boston.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco 13¼ 88	75	86¼	86¾	+0⅛	+0½	16.82
CIBC 14½ 84	185	95⅛	95⅝	+0⅛	+0⅞	16.75
CIBC 15¾ 86	75	96⅛	96⅝	+0⅛	+0⅛	16.34
CNA 15¼ 96	75	89¼	89¾	+0⅛	+0⅛	17.21
CNE 12¾ 91	100	79¾	80¼	+0⅛	+0½	17.13
Citicorp Int. Fin. 15 86	150	95¾	96¼	+0½	+1	16.25
Citicorp O/S 15½ 84	175	99⅛	99⅝	+0⅛	+1⅛	15.70
Con. Illinois 14¾ 84	100	94¾	96¼	0	+0¾	17.02
EEC 14¾ 93	65	89½	90	+0¼	+1	16.75
EIB 12¾ 89	75	83¾	84¼	+0⅛	+1⅛	16.66
Eldorado 13¼ 86	50	88½	89	+0⅛	+0½	16.94
Elec. de France 13 88	125	84¾	85¼	+0⅛	+0½	16.99
Fed. Bs. D. 15¾ 84 (J)	40	98½	99	+0⅛	+0⅛	16.24
Fin. Exp. Credit 10½ 85	50	81⅞	82⅜	+0⅛	+0⅞	17.26
Finland, Rep. of 9½ 86	100	77⅞	78⅜	+0⅛	+0⅞	16.85
Ford Cr. O/S Fin. 16 84	150	99⅛	99⅝	+0¼	+0⅛	16.18
Ford Cr. O/S Fin. 16 85	150	97⅝	98⅛	+0¼	+0⅛	16.72
Gaz de France 13½ 86	80	89½	90	+0⅛	+0¼	16.95
GMAC O/S Fin. 12⅞ 88	100	86⅛	86⅝	+0⅛	+1⅛	16.42
GMAC O/S Fin. 14¾ 87	100	93⅛	93⅝	+0½	+1¼	16.56
Genstar 14¾ 91	50	92⅛	92⅝	+0⅛	0	16.29
Hiram Walker 16 86	60	100⅜	100⅞	+0⅛	+0⅛	15.73
IBM Wld. Trade 14¾ 84	100	99⅞	100⅜	−0⅛	+0¼	14.66
IBM Wld. Trade 14¾ 85	60	99⅛	99⅝	+0⅛	+0⅜	14.93
Nat. Bk. Canada 15⅞ 84	40	97	97½	0	+0⅛	16.47
Newfoundland 13½ 90	60	84¾	85¼	+0⅛	+0⅛	16.92
Nova Scotia 15 91	75	92¼	92¾	+0⅛	+0⅞	16.59
Ontario Hydro 13½ 91	100	86⅜	86⅞	+0⅛	+0⅞	16.33
Pacific Gas Elec. 16 88	75	101⅛	101⅝	+0⅛	+0⅞	15.63
PSNH Int. Fin 17 88	30	99⅛	99⅝	+0⅛	+1⅛	17.16
Royal Bk Canada 14 86	100	93	93½	+0⅛	+1⅛	16.11
SNCF 13 91	75	83⅛	83⅝	+0⅛	+0⅛	16.56
Shell Canada 15¾ 91	100	97⅝	98⅛	0	+0⅛	16.19
Sth. California 14 87	50	94⅛	94⅝	0	+0½	15.52
Sth. California 14¾ 88	50	94¼	94¾	+0⅛	+0⅜	16.09
Sven Handlsbk. 13¾ 88	45	87⅞	88⅜	+0¼	+0⅞	16.80
Swed Ex. Credit 13 86	75	88¼	88¾	+0⅛	+1⅛	16.88
Swed. Ex. Cred 15¾ 86	50	95½	96	+0⅛	+0⅜	17.05
Toronto-Dom Bk 14 84	50	94	94½	0	+0½	16.80
Tribune O/S Fin 14 86	50	90⅜	90⅞	−0⅛	0	17.08

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	82¾	83¼	0	+0⅛	15.81
CIBC 13½ 85 C$	60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 11½ 85 C$	60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Federal Dev. 11½ 90 C$	60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fst. Can. Inv. 10 84 C$	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R. Bk. Canada 10 86 C$	40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tordom Cpn. 13½ 85 C$	30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
M. Bk. Dnmk. 9 91 EUA	25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOFTE 8¾ 89 EUA	40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U. Bk. Nwy. 9½ 90 EUA	18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Algemene Bk. 10¾ 86 Fl	60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amro Bank 12 86 Fl	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Heineken NV 10 87 Fl	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. Nedrindn. 10 88 Fl	60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ned. Midd. Bk. 10 85 Fl	75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pierson 10¾ 86 Fl	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rabobank 12 86 Fl	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Air France 14½ 86 FFr	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bk. America 14½ 86 FFr	250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Charb'nages 13⅞ 85 FFr	400	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 14¾ 88 FFr	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
La Redoute 14¾ 85 FFr	125	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 14 86 FFr	400	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Solvay et C. 14¾ 86 FFr	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed E. Cr. 14¾ 86 FFr	250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U. Mex Sts. 14 85 FFr	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Acena 14 85 £	20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beneficial 14¾ 90 £	20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNP 13½ 91 £	15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 13½ 88 £	20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 13½ 90 £	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fin Ex. Cred 13¾ 86 £	15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec. Co. 12½ 89 £	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hiram Walker 14¾ 86 £	25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Privatbanken 14½ 88 £	12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
J. Rothschild 14¾ 90 £	12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Trustco 14 86 £	12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed Ex. Cr. 13¾ 86 £	20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Akzo 9¾ 87 LuxFr	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	2,846.2	4,480.1
Previous week	3,051.7	4,675.5
Other bonds		
Last week	787.0	321.9
Previous week	690.1	278.4

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Royal Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale; Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on September 18

Aberdeen Scaffolding Co. Ltd. Advance Central Service Ltd. Advance Laundries Ltd. Advance Services Ltd. Advance Services (Eastern) Ltd. Advance Services (London) Ltd. Advance Services (Midlands) Ltd. Advance Services (Northern) Ltd. Advance Services (Scotland) Ltd. Advance Services (Southern) Ltd. Advance Services (Western) Ltd. Ancliff (B.L.T.) Ltd. Anders Aasen & Co. A/S. Argus Books Ltd. Argus Press (International) Ltd. Argus Newspapers Ltd. The Argus Press Holdings Ltd. Argus Press Sales & Distribution Ltd. The Argus Press Ltd. Argus Specialist Publications Ltd. A-R. Television PLC. Aston Lane Freight Terminal Ltd. AWA Rediffusion Pty. Limited. Bermuda Broadcasting Co. Ltd. The B.E.T. Federation Limited. B.E.T. Investments Limited. BET Leisure Holdings Ltd. B.E.T. Omnibus Services Ltd. Biffa Holdings Ltd. Biffa Ltd. Bijstede ... Boulton & Paul Ltd. Boulton & Paul (Lo... Broadcast Relay Service (Canada) ... Transport Ltd. Bulw... Ltd. Central Park ... (Deutschland) Gmb... Channels Inc. ... Ltd. Coventry ...

BET

... Ltd. United Tyre Services (Pvt.) Ltd. UTC Finance Ltd. Vaal Transport Corporation (Pty.) Ltd. Van der Vorst Kraanverhuur B.V. J.G. Van Loenhout B.V. V.D.U. Characters Ltd. Walport Aviation Programmes Ltd. Walport (Holdings) Ltd. Walport Ingram Ltd. Walport Ltd. Walport (Overseas) Ltd. Walport Telmar International Ltd. Wayland (Publishers) Ltd. Webb, Jarratt & Co. Ltd. Wembley Stadium Ltd. Western Greyhound Bus Lines (Pty.) Ltd. West Friesland Eurotransport N.V. West Friesland Eurotransport B.V. West Friesland Int. Speditions GmbH. "Where To Buy" Ltd. J.D. White Ltd. World Travel Bureau (Kenya) Ltd. World Travel Bureau (Private) Ltd. Wrekin Construction Co. Ltd. Wrekin Roadways Ltd. Robert Wynn & Sons Ltd. Zig Zag Scaffolds Ltd. Zimbabwe Omnibus Co. Ltd. (Including Zimbabwe Touring Co. Ltd.) Zimbabwe United Freight Co. Ltd.

Group Profit before tax
£60,792,000

Companies	Activity	Profit
CANADIAN MOTORWAYS LTD. UNITED TRANSPORT COMPANY LTD.	Freight and Passenger Transport	£17,939,000
REDIFFUSION LTD.	TV Rental, Relay, Overseas Broadcasting, Electronic Manufacturing & Music Services	£17,166,000*
ADVANCE SERVICES LTD. INITIAL SERVICES LTD. (41.9% SHARE)	Linen Hire Laundry & Ancillary Services	£13,107,000
BIRMINGHAM & DISTRICT INVESTMENT TRUST LTD. ELECTRICAL AND INDUSTRIAL INVESTMENT CO. LTD. NATIONAL ELECTRIC CONSTRUCTION CO. LTD.	General Investments	£5,524,000
EDDISON PLANT LTD. GRAYSTON LTD. J.D. WHITE LTD.	Plant Hire	£2,967,000
MURPHY BROS LTD.	[illegible]	£1,365,000
THAMES TELEVISION LTD. (50.0% SHARE)	Independent Television in U.K.	£1,334,000
DITCHBURN ORGANISATION LTD. WALPORT LTD. WEMBLEY STADIUM LTD.	Entertainment and Leisure	£1,240,000
BIFFA LTD. RE-CHEM INTERNATIONAL LTD.	Waste Disposal	£1,086,000
HUMPHRIES HOLDINGS LTD.	Films & Television Ancillary Services	£931,000
ARGUS PRESS HOLDINGS LTD. ELECTRICAL PRESS LTD.	Printing & Publishing	£927,000
BOULTON & PAUL LTD.	Joinery, Steel Construction & Access Equipment	(£353,000)

*Excludes Rediffusion's share of profits of certain fellow subsidiaries.

Note: All the profits shown above relate to the Companies' activities described and do not include other interests.

Extracts from the Statement by the Chairman, Sir John Spencer Wills

It is only too well known that the year ended 31 March 1981 was one of almost unprecedented trading difficulties in the United Kingdom. That B.E.T. emerged from it with no more than a comparatively moderate dent in its profit record, reflects the strength provided by its wide range of interests.

In the early part of the year, profits were running at somewhere near the level of the previous year but trading conditions worsened markedly from the late summer of 1980 onwards and profits suffered accordingly in the second half of the year.

A factor which had quite a major effect upon the final figure was the extent to which the operating companies found it necessary to reduce staff. Parting with employees, some of them of many years standing, is a sad and disagreeable process. More than 2,200 people had to be made redundant, at a cost, directly affecting profit, of well over £3 million.

Some companies performed better than in the previous year – notably Rediffusion, Canadian Motorways and Initial Services – others fared much the same and a few, principally Boulton & Paul, Argus Press and two of the Plant Hire companies, suffered severe reverses.

For a number of years, around 30% of our trading profit has come from overseas operations, the largest part from the continent of Africa. A good deal of thought has been given to increasing the size and proportion of profit contribution from North America. Profits from Canada and the United States provided by Canadian Motorways and Rediffusion, have now been augmented by the acquisition by Argus Press of a publishing company in Atlanta, Georgia, and the opening of an office by Grayston in Arlington, Texas, to promote and handle our growing business in heavy crane hire in the U.S.A. Trading profits from North America, which last year showed an increase from £1.6 million to £2.6 million, should show an even more marked increase in the current year.

Outlook

I do not like to appear unhelpful to shareholders, but I find myself in no better position this year than last to make a forecast of the likely results of our efforts for the year ending 31 March 1982. A lot of work has been done by our subsidiary and associated companies to adapt to current trading conditions and nowhere in the Group is the future viewed with apprehension.

The BET Group comprises a number of companies engaged in a wide variety of activities. Those activities and the profits earned from them are shown above, together with the names of the principal contributing companies.

BET GROUP

Summary of Results — **Year to 31st March**

	1981 £	1980 £
Profit before taxation	60,792,000	70,925,000
Taxation	13,061,000	27,617,000
Profit after taxation and minority interests	39,197,000	36,135,000
Deferred Ordinary Dividends	11,351,000	11,263,000
Earnings per 25p Deferred Ordinary Share	26.2p	24.3p
Dividend per 25p Deferred Ordinary Share	7.572p	7.572p

If you would like a copy of the Report & Accounts please send this coupon to:
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The British Electric Traction Company, Ltd.,
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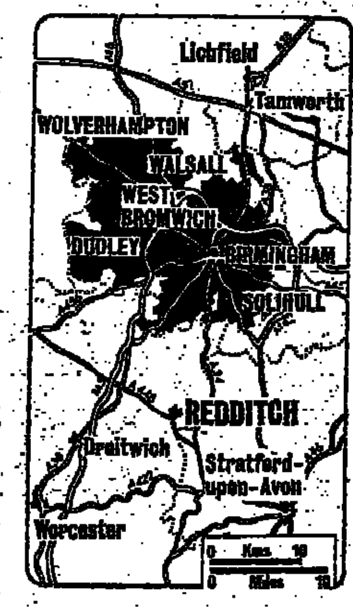
FT21/9

FINANCIAL TIMES REPORT

REDDITCH

After 15 years of sometimes painful expansion, there are now indications that Redditch is emerging from the economic recession in a more prosperous fashion than some of Britain's other new towns.



Mr Norman Moore, general manager of Redditch Development Corporation

Area wins a further lease of life

BY LORNE BARLING

THE Government decision to extend the life of the Redditch Development Corporation by two years—until September 1984—has created the opportunity for the long and arduous development of the town to be completed rather than abruptly ended.

Given a new lease of life, the corporation has now embarked on a programme which will allow it to build an additional 1m sq ft of industrial space and tie up some of the loose ends which would inevitably have resulted from its planned demise this month.

So far the corporation has presided over 15 years of rapid and sometimes painful expansion, which has transformed Redditch from an industrial satellite of Birmingham into a industrial area which is increasingly independent of the rest of the Midlands.

Although there are likely to be critics of this prolonged Government involvement in the wide-ranging development of a town which was designated specifically as a Birmingham overspill, there is no doubt that the move will be welcomed by many as a chance for the corporation to complete its job and tie up some of the disquieting loose ends which still exist.

In terms of the UK economy, the original expiry date proved to be most unsuitable for the hand over of multi-million pound assets, at depressed prices, to other authorities, especially the housing which will eventually become the responsibility of the borough council.

With all the current financial pressures on local authorities, the interregnum will certainly be useful.

The other major asset owned by the development corporation is a diverse portfolio of industrial and commercial property in and around Redditch, some held jointly with funding institutions which have played such a major part in the rapid provision of modern industrial premises for the growth of local industry and the many incoming companies.

Disposal of this property at a time when the market is at a particularly low point would, in the corporation's view, have been an unfortunately missed opportunity to maximise the sums returned to Government at the end of the day.

Moreover, there remains much uncertainty over the way in which the institutional holding—which includes a large number of major pension funds and insurance companies—will be administered after the demise of the corporation.

Management

Discussions are now taking place to devise a formula for the management of this commercial and industrial property.

Although there have been critics of the way the corporation has used its extensive powers since it was constituted in 1964, particularly in relation to the wholesale redevelopment of the town centre, it is unlikely that so much could have been achieved in the period by any other means.

One of the main difficulties has been to achieve the co-ordinated growth of industry, housing, amenities, roads and all the contingent facilities necessary for a population which has increased from around 32,000 in 1964 to 62,000 now.

Although all this was considered in the Master Plan approved by the Government in 1968, unpredictable factors—such as economic influences on industry—could not be foreseen.

Even so, the incoming population forecast was surprisingly accurate and new industry did arrive in sufficient quantity to generate the required jobs, although less than predicted came from the Midlands where growth has not met expectations.

Only in the past 18 months has there been any slowdown in the number of companies wishing to move to Redditch, which has clearly benefited from its central position in England and its proximity to Birmingham.

A significant number of foreign companies have chosen Redditch for new operations, no doubt influenced to some extent by the attractive "Shakespeare country" surrounding the town; and with a dearth of UK companies now wishing to move, considerable marketing emphasis is being placed on attracting American companies.

Perhaps the most important part of Redditch's recent development has been the provision of a wide range of industrial property built on the 305 acres of corporation land.

The RDC was given total control over the type of industry moving to the town, and inevitably most of the companies "chosen" have been engaged in high technology and have grown steadily, creating new jobs over the years.

Companies engaged in warehousing or activities offering few jobs have been discouraged.

Another important advantage gained by the corporation's overall control has been the ability to offer a range of industrial property or sites, so that companies can use the RDC's design and contractual services or, at the other extreme, lease the land and have the factory designed and built independently. Many industrial developments have been funded jointly by the corporation and institutions, however.

It has also been corporation policy to discourage the arrival of large industrial undertakings such as a British Leyland plan in the early 1970s to set up an engine plant on 100 acres of land. Although the corporation was all but ordered by the Government to accept the scheme, BL later abandoned it.

The reason for this opposition was that planners did not want to see employment in the area too dependent on a few companies. This policy has proved correct, given the major redundancies by big Midlands companies in recent months.

In Redditch there have been no major setbacks of this kind since the start of the recession.

In the 1960s the town was heavily dependent on companies such as BSA, Royal Enfield, High Duty Alloys, British Aluminium and Abel Morrall (now the Aero Needles group). The first two of these have now closed while the rest are trading successfully.

Redditch has traditionally been the centre of the country's needle, coil spring and fishing tackle industries, which developed together over many years and are still an important part of the local economy.

Significantly, their presence has also led to the arrival and development of other higher technology industries, such as Avon Medical's production of medical equipment. The original connection came through surgical needles.

Despite early doubts about the planners to create from scratch new communities within the town, Redditch seems to have achieved this successfully in many areas. There is controlled occupation of new community centres, so that each has a balanced range of shops, and other essential services. Such as health centres.

Innovation

The introduction of bus-only routes in some areas has also proved helpful, while the complete redevelopment of the central shopping area is now almost complete after some disruption. This was certainly the most controversial aspect of the corporation's work.

Although a number of projects have yet to be completed—and will be given added impetus by the extension—most of the Master Plan has been finished on time. But it is doubtful whether this could have been achieved without private finance which was not originally envisaged.

This important innovation, as far as new towns were concerned, was largely pioneered by Mr Norman Moore, the corporation's general manager, who had formerly been at East Kilbride in Scotland. Initially, a panel was set by the New Towns Commission to vet each private investment.

Eventually about 50 per cent of finance for industrial and commercial property and private housing came from this source—largely the pension funds, whose growth in the period was rapid.

The pension funds have been especially active in supporting the four-phase redevelopment of Redditch town centre at a cost of about £25m, while the corporation has been able to attract a significant number of major retailers such as Marks and Spencer to a town which is in the middle of a triangle formed by Birmingham in the North, Worcester to the West and Northampton to the East.

Apart from the fast growth of the immediate population, there are now about 500,000 people living within 20 minutes' driving time of the town.

Road development in the area has also been notable, with around 150 kilometres (93 miles) of primary and other roads already built, including 25 km (15 miles) of estate roads built by private developers. More than 30 schools have been completed, and 13 are still under construction. More than 20 youth centres, health centres, and community centres have also been built.

A total of nearly 13,500 houses have been completed and about 4.5m sq ft of industrial space built on corporation land, creating more than 7,000 manufacturing jobs and nearly 1,500 service jobs.

Significantly, industrial policy has created considerable company loyalty to the area, with growing companies often moving to larger and larger rented premises until they can build their own factories.

In the longer term this is likely to ensure that the pattern of growth over the past decade will continue; but much will depend on how industrial property — some privately-owned and some in the hands of the corporation — is administered.

Expanding range of amenities

THE KINGFISHER shopping centre that stands high in the centre of Redditch has become a magnet for a population in a much wider area. Although 750,000 sq ft in area, it is unusually compact, and the climatically controlled environment, where palm trees flourish happily, does much to relieve the shopping chore.

The final building phase is nearing completion and by this time next year all the newcomers should be trading. As in most developments of this kind the key to success is to attract the superstores, some of which tend to delay a decision until a development town has reached an agreeable size.

Fortunately for Redditch the new growth has gone on at a fairly steady pace. Sainsbury was one of the first captures in the initial phase. W. H. Smith and Woolworths followed in the second, with Tesco and Owen Owen joining them in the third and final phase. Marks and Spencer's premises are currently being fitted out and trading is expected to start for this Christmas. British Home Stores will be only a few weeks behind, planning to open its doors to the public in the spring of next year.

The Kingfisher centre contains most, if not all, of the range of shops one could expect to find in much larger cities and it has the additional bonus of being the biggest such centre in the West Midlands. Inevitably newcomers have displaced the sprawling collection of shops that used to serve Redditch before the development scheme got under way, but there are still many family and traditional-style shops to be found on the periphery.

The Kingfisher Traders Association has become an increasingly influential and representative organisation which has played its part in the overall development. The centre is served by four conveniently sited car parks that can accommodate 2,600 vehicles, some of which identify with the offices above the shops. It is pleasant to find in the midst of all this modernity an open square dedicated to the traditional market stalls displaying local crafts and produce.

To serve a population grown to 67,000 some 22 new schools have been built, providing an extra 11,000 places. School leavers, students and indeed any other member of the community have a wide choice of subjects to choose from at Redditch College of Further Education, ranging from languages and accountancy to music and computers.

To the existing leisure and sporting facilities like those provided at the Abbey sports stadium, where there is a 400-metre outdoor running track besides indoor sports, have been added those of some of the schools with suitable facilities.

Many of the new schools have excellent gymnasia, squash or swimming pools capable of use by the adult population outside school hours. Leys High School, for instance, is very well used and there is a general appreciation of the facilities. Squash is one of the more rapidly growing sports in Redditch as elsewhere, and this has been underlined by a privately built grand new squash club with sauna and solarium for the use of members and their guests.

A lot of the sporting activities are in or around the Arrow Valley park which runs north to south through the town, fol-

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Redevelopments nearing completion

THE FINAL phases of the redevelopment of Redditch, now nearing completion, will consolidated the town's independence. A decade or so ago when the major building projects were getting under way Redditch was still classed as an industrial overspill town for Birmingham—or in the reverse direction, a dormitory town.

This has long ceased to be so. As the new shopping precinct and multi-storeyed offices gave a new skyline to a town long known for its needles, springs, and fishing tackle, a new corporate personality was developed.

Today this personality reflects much less the local or even regional influences and much more the qualities that companies from Japan, Sweden, West Germany and the U.S. have brought with them. Their philosophies have been blended with those of home-grown companies, also with international links, such as Hymatic Engineering, BKL Alloys, and the Chloride Group.

Fresh skills

Many of them use or provide high technology equipment which like BL Systems computer network system, have brought fresh skills to Redditch. These major units were needed to provide the momentum for continuing expansion. But perhaps even more important are the nursery units, the fledglings of future industries.

It has been a deliberate policy of the Development Corporation, and a major achievement, to have encouraged individual and small-scale entrepreneurs to rub shoulders with much bigger companies. There is a strong relationship between them and the larger units, and their commercial and administrative opposite numbers, which is strongly reflected in the quality and variety of non-manual enterprises.

It seems that the interweaving of big and small industries with the trades and professions has been more than ordinarily successful for a new town and has unquestionably encouraged the growth of its independent personality. If a focal point can be singled out as reflecting the town's new image it might well be Church Green, the historic centre overlooked by St Stephens Church. As at other places which represent Redditch's character and antecedents, care has been taken to blend the new with the mature.

The Green is the traditional home of solicitors, accountants and other professions which have tended to become widely spread to deal with the needs of a greatly increased population. They could be lured back by St Stephens House, which stands on the northern side of Church Green with frontages to Prospect Hill and Eastmore Road.

The building is one of the more recent contributions by private enterprise developers, supported by the institutions and other investors, whose involvement has been crucial to the successful development of the town. At one time or another a trip round the ring road would have revealed the well-known contractors sign-boards — Barratts, Bryants, Tarmac, McLeans, Bovis and others in front of office or housing sites.

St Stephens House is a child of Grosvenor Estate Commercial Developments. It has 50,000 sq ft of offices in the luxury class. One letting has so far been made, to a bank's office staff; the agents, Grimley and Son and Hillier Parker, May and Rowden, are in discussion with prospective clients.

Within three minute's easy walking the final phase of the Kingfisher shopping precinct will be providing further office premises above the shops. The shopping area is now nearly complete—after fitting out the last phase should be ready for occupation by mid-1982.

It is the largest covered shopping precinct in the West Midlands, with 780,000 sq ft of space. Office developments above the shops are providing altogether 150,000 sq ft of small self-contained suites, a growing number of them air-conditioned. A bonus for anyone working in them is, of course, the convenience of being right in the town centre and it is obvious that this is particularly appreciated by woman staff.

Among the prestige offices in the final phase is the 15,000 sq ft of the Canon Newton House, named after a local dignitary of bygone years. This is on the second floor immediately above the chief shopping mall in Evesham Square.

While the creation of office space owes much to private developers, the Development Corporation is also engaged on a number of major campus-type schemes which illustrate the way the whole operation is going upmarket.

One of these is the Highfields project, just outside the town centre at Headless Cross on the western side. In total there are 47,000 sq ft parcelled into convenient units of 5,000 sq ft so that tenants can choose within reasonable limits the size they need. There are three linked blocks on three floors in which the internal layout allows considerable flexibility. These offices should be ready for occupation by the spring of 1982.

Another scheme, entirely different in concept and character, is Ipsley Court, in the same mould as that which has brought the Corporation several awards from the Royal Institution of British Architects, the Department of the Environment and other bodies.

The Manor of Ipsley is in parkland setting next to Ipsley church and dates back to the 13th century. In Edward IV's time a substantial half-timbered house was built, to which were lateer added two wings. Years later the property was bought by Dr William Landor, father of Walter Savage Landor, the poet and satirist friend of Dickens and Swinburne, so it has lots of historical connotations

Renovation

What has survived—just—are the two wings, and the Corporation's £2m scheme joins them with a building in the same architectural style. The old buildings are being renovated so that when the scheme is completed in the spring of next year some 40,000 sq ft of officies will be provided on three floors Prospective tenants will have to wait until the autumn to apply for leases.

In addition to these larger schemes by private developers and the Corporation there are a number of ground-fill sites available, with good access to the road network, at South crest Wood, Oakenshaw and Winyates Green. Most, if not all, of the planned office sites are expected to have been completed and filled by the time the Corporation retires from the scene at the end of 1984.

By then the problems associated with handing over to the district council, especially on the housing front, should have been resolved. The Corporation has built 7,000 houses to let, and the council's stock 4,000 of which 182 were sold in the last financial year. Another 53 are under general consent and 160 enquiries are on the books for other houses.

Another 2,000 houses are due to be built under the overall development programme by the end of 1984. The sites for these have now been included in the private housing programme. The Government's decision some 18 months ago to cut back on leased housing slowed down the rate of starts and made it much more difficult to maintain continuity of building.

Recently the number of starts has gain begun to rise and with them the procepects of developers being able to move with less disruption from site to site. It is also of course helping the Corporation, which makes itself responsible for site preparation in the way of distributor roads and services.

The hilly and undulating nature of the land, combined with the Arrow Valley park that runs north to south through the town, makes for more than usually attractive settings for the housing estates. While inevitably some are less attractive than others, none seems positively unattractive, which is more than can be said of some other new towns less well blessed with natural features.

While many homes are semi-detached artisan type, they display a reasonable variety of appearance. Some of the early ones, for instance, were based on Brittany and Normandy designs, with chalet-type first storeys either in red brick or rendered surfaces. Since then several other distinctive designs have been used, and it is interesting to note that the demand for detached homes on the smaller sites, such as are now becoming available with the completion of main programmes, is encouragingly buoyant. This is taken as one more indication that Redditch is emerging from the economic recession in more prosperous fashion than some other towns.

Peter Cartwright

Strong emphasis on engineering and metal processing

INDUSTRIAL development in Redditch over the past 14 years has been notable in that new and existing companies have absorbed the effects of some major factory closures and created employment for an incoming population of about 30,000.

The town remains heavily involved in manufacturing industry, with a strong emphasis on engineering and metal processing, but decreasing reliance on the Midlands motor industry and the traditional production of coil springs, needles and fishing tackle.

Although these activities have also led to new companies, often concerned with higher technology, the policy of the Redditch Development Corporation has been to encourage diversification by attracting new companies.

In the early days of the New Town, plans were drawn up to create enough factory space—taking into account progressive automation—to provide a steady increase in industrial employment as the population grew.

Until 18 months ago this succeeded beyond expectations, with companies waiting to take factory space as it becomes available; but the onset of recession and competition from other investment-hungry towns and regions have recently slowed the pace.

Some of the first companies attracted by the Corporation, such as BKL Alloys, took brave decisions, faced with greenfield sites and a town about to undergo major redevelopment; but their faith encouraged the subsequent flood of arrivals.

BKL Alloys, part of GKN, now has one of the largest factories in Redditch, with nearly 250,000 sq ft of space, while High Duty Alloys is the town's major employer with about 1,600 people engaged in the production of forgings.

Halfords, the Burmah-owned automotive parts retail chain has its headquarters in Redditch, and Chloride Alcad, the battery group, has its main factory there, but there are relatively few large companies.

Serck Services, GKN Contractors, Hymatic, Avon Medicals and Clarksons International Tools all fairly new arrivals employing around 500 people or fewer, are typical of the spread of activities.

SOME LEADING COMPANIES IN THE REDDITCH AREA

Company	Date of arrival	Number of employees	Main product
High Duty Alloys Forgings	1939	1,500	Hand and die forgings
Aero Needles Group	1785	650	Sewing aids
Chloride Alcad	1915 (approx.)	650	Batteries
Halfords	1971	531	Car and cycle parts
BKL Fittings	1970	550	Steel pipe fittings
H. Terry and Sons	1855	410	Springs, presswork, hose clips
Hymatic Enginereing	1940	410	High tech. engineering
Hydrovane Compressor	1962	380	Compressors
Aero Quip UK	1957	380	Hydraulic fittings
Avon Medicals	1976	350	Medical equipment
GKN Contractors	1969	290	Overseas contracting
Clarkson International Tools	1969	250	Tools
Serck Services	1973	240	Radiators
Needle Industries Medical Division	1730	220	Small medical equipment
Clarkefield	1875	148	Presswork, springs

Communications

Dozens of smaller companies, mainly in light engineering or metal work, are tenants of the corporation on seven industrial estates, mostly in park-like surroundings, situated to the east of the town where rapid industrial expansion has taken place. A major factor has been the proximity of Birmingham, only 15 miles to the north, and good roads to Birmingham International Airport only 25 minutes away.

Good communications have been important to foreign companies moving to Redditch. They include Heller Machine Tools of West Germany, Marubeni Komatsu, the Japanese construction plant company, Veeder-Root of the U.S., and Shakespeare Company, an American fishing-tackle manufacturer.

U.S. electronics companies are now one of the main targets of the Development Corporation, whose advertising stresses the potential of the European market, estimated to be worth around \$100bn, and the suitability of England (rather than Britain) as the best location for manufacturing.

"Our view is that we have to sell Europe first, England second and Redditch third. American companies are worried about Japanese competition in Europe for the vast market for the use of electronics in industry, and judging by recent inquiries they are ready to invest," the Corporation said.

It believes that Redditch has a good chance of winning a large share of this investment, on the basis that Americans like investing in new and successful enterprises. But the competition for this kind of investment is fierce. Much of it has previously gone to the fast-developing areas to the west of London, stretching as far as Bristol.

The Corporation is also pushing the proximity of Stratford and "Shakespeare country" on the basis that many decisions about locating new industry are taken for impulsive reasons when the options have been narrowed down.

As landlords to nearly all incoming companies, the Corporation must sometimes take a slight risk on their prospects; but in general its choice of concerns which manufacture high added-value products has proved correct, and failures have been few. Warehousing, car respraying, tyre centres and similar activities have been discouraged.

On the other hand, many small concerns have taken purpose-built "nursery units" and have grown rapidly to become valuable employers in an area where co-operation among small companies is an important part of the local economy.

The necessity of providing space for small manufacturers was recognised in the early stages of the redevelopment so that they could move out of outdated premises and new enterprises start up with minimal capital outlay on land and buildings.

Lorne Barling

Amenity projects

CONTINUED FROM PREVIOUS PAGE

lowing the course of the river. Traditional outdoor games like cricket and football are among the most popular, and hockey is gaining adherents

For golfing addicts there is an excellent Development Corporation-built golf course of nine holes adjacent to the Abbey stadium and now run by the district council. On the other side of Redditch, adjoining Morton Stanley Park, is a new private golf course of 18 holes.

A walk through the park along one of the network of paths brings one to a 27-acre lake where Redditch Sailing Club has established its headquarters. While sailing is a popular pastime, the water is shared with wind-surfers and anglers, for whom the lake is occasionally re-stocked. Riding and pony trekking tracks have been created round the lake and bridle paths allow reasonably generous freedom to go further afield.

Those with theatrical, operatic and film interest are catered for by three cinemas and the Palace Theatre. The latter is in Grove Street in the centre and was built at the beginning of the century. In 1968 one of the first things the Development Corporation did was to buy it for £20,000 and promptly spend another £65,000 in refurbishing it. Then in 1971 the Corporation sold it to the district council for the original purchase price.

The 400-seat theatre has, like so many other municipal theatres, led a somewhat chequered life, especially in the past few years, when it has been difficult to fill it either with amateur societies or travelling repertory—or even, on occasions idols of the pop world.

The Palace spends it life between council-sponsored events and lettings, sometimes getting becalmed between times. Local dramatic and operatic societies appear for one-night shows, there are some Sunday night shows, a few matinees for children; an occasional touring repertory company takes over and among the popular entertainers have been Matt Munro, Lonnie Donnegan and Eric Delaney.

Enthusiasm

At Christmas there is a pantomime, which gives a chance for local youngsters to show off their dancing prowess. Last year it was Cinderella, produced by the manager and largely composed of local amateur talent supporting four professionals.

The changing programmes reflect as much as anything the problems besetting small theatres, and hopes for the future are always being plucked from such gallantly enthusiastic occasions as amateur drama festivals and music festivals. The latter was a recent new venture that met with an encouraging response, but all too frequently it is hard work filling even 400 seats, especially for five or six nights.

None the less the theatre, and allied amateur societies, reflect the way public-spirited citizens and some industrial managements are putting back in different form what they have derived from the community and are encouraging the latent arts potential to flourish, supported by a sympathetic council.

A quick judgment would be that many of the newcomers to Redditch have not yet had time to adjust from a press-button industrial life punctuated by the pub and TV, and possibly a few visits to the theatre or concerts. Many of those who live on the north-east side of Redditch still have not severed their umbilical cords with Birmingham, so to speak. Very few others have yet had time to strike deep roots into the new community.

This is a dismal and anxious time for all. But if the range and accessibility of sporting and other interests is any guideline, then Redditch has at least taken steps to cope with the more leisured future predicted.

Peter Cartwright

WORLD STOCK MARKETS

Indices

NEW YORK —DOW JONES

	Sept. 18	Sept. 17	Sept. 16	Sept. 15	Sept. 14	Sept. 11	1981 High	1981 Low	Since Cm'pil't. High	Since Cm'pil't. Low
●Indu str'ls	836.19	849.09	851.80	858.55	865.15	872.81	1024.05 (27/4)	836.19 (18/9)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds.	57.48	57.41	57.49	57.51	57.38	57.41	65.78 (15/1)	57.08 (4/9)	—	—
Transport.	345.51	347.77	355.56	355.51	357.80	358.49	447.38 (16/4)	345.51 (18/9)	447.38 (16/4/81)	12.23 (8/7/32)
Utilities	104.24	105.17	106.29	106.67	106.78	107.27	117.81 (6/1)	103.93 (6/6)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000-†	47,550	48,500	43,650	38,580	34,400	42,170	—	—	—	—

●Day's high 845.51 low 829.45.

	Sept. 11	Sept. 4	Aug. 28	Year ago (approx)
Ind. div. yield %	6.35	6.44	6.80	5.74

STANDARD AND POORS

	Sept. 18	Sept. 17	Sept. 16	Sept. 15	Sept. 14	Sept. 11	1981 High	1981 Low	SinceCmpil't'n High	SinceCmpil't'n Low
Indust'ls	130.19	131.34	133.44	134.48	135.69	136.73	157.02 (6/1)	130.19 (18/9)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	116.26	117.15	118.87	119.77	120.66	121.61	138.12 (6/1)	116.26 (18/9)	140.52 (28/11/80)	4.40 (1/6/32)

	Sept. 16	Sept. 9	Sept. 2	Year ago (approx)
Ind. div. yield %	5.36	5.35	5.14	4.54
Ind. P/E Ratio	8.15	8.13	8.82	8.91
Long Gov. Bond yield	14.13	14.63	14.38	11.46

NY. S.E. ALL COMMON

Sept. 18	Sept. 17	Sept. 16	Sept. 15	1981 High	1981 Low
67.27	67.85	68.82	69.34	79.14 (6/1)	67.83 (17/9)

Rises and Falls

	Sept. 18	Sept. 17	Sept. 16
Issues Traded	1,984	1,905	1,890
Rises	461	367	409
Falls	1,131	1,157	1,100
Unchanged	392	381	381
New Highs	—	7	9
New Lows	—	171	140

MONTREAL

	Sept. 18	Sept. 17	Sept. 16	Sept. 15	1981 High	1981 Low
Industrials	327.90	335.80	339.87	347.10	409.56 (27/5)	327.90 (18/9)
Combined	308.52	312.52	316.96	323.11	375.28 (13/8)	308.52 (18/9)
TORONTO Composite	1933.6	1956.4	1995.1	2030.2	2378.8 (10/4)	1933.6 (18/9)

	Sept. 18	Sept. 17	Sept. 16	Sept. 15	1981 High	1981 Low
AUSTRALIA						
All Ord. (1/1/80)	606.7	610.1	618.1	616.1	737.5 (8/4)	599.5 (10/9)
Metal & Minrls (1/1/80)	507.8	511.6	521.4	518.7	765.2 (7/1)	493.5 (10/9)
AUSTRIA						
Credit Aktien (2/1/62)	54.58	54.84	54.99	55.15	66.43 (5/1)	54.0 (21/8)
BELGIUM						
Belgian SE (31/12/63)	72.55	72.35	73.07	73.12	86.15 (17/2)	68.55 (16/3)
DENMARK						
Copenhagen SE (1/1/73)	112.75	112.58	112.52	112.51	118.00 (25/8)	95.98 (2/1)
FRANCE						
CAC General (29/12/61)	94.40	94.9	95.2	96.1	112.5 (17/8)	77.6 (15/6)
Ind Tendance (31/12/80)	103.40	104.8	104.0	105.5	108.5 (10/8)	78.2 (12/6)
GERMANY						
FAZ-Aktien (31/12/58)	232.36	232.72	232.70	232.37	246.47 (5/7)	216.88 (9/2)
Commerzbank(Dec 1953)	710.90	711.8	713.7	712.6	749.8 (5/7)	666.4 (16/2)
HOLLAND						
ANP-CBS General (1970)	86.10	87.8	89.3	89.3	96.8 (20/8)	86.7 (2/1)
ANP-CBS Indust (1970)	67.50	68.4	69.0	69.8	76.4 (22/6)	62.8 (2/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1493.1	1502.79	1565.08	1554.92	1810.20 (17/7)	1285.44 (11/8)
ITALY						
Banca Comm Ital (1972)	182.25	188.84	198.50	192.30	232.86 (8/6)	165.44 (24/7)
Japan						
Dow Average (16/5/49)	7548.5	7569.27	7606.33	(c)	8019.14 (17/8)	6956.52 (15/3)
Tokyo New SE (4/1/68)	557.88	567.05	564.55	(c)	603.92 (17/8)	495.79 (6/1)
NORWAY						
Oslow SE (1/1/72)	134.88	134.79	136.79	137.67	145.72 (6/5)	110.54 (6/6)
SINGAPORE						
Straits Times (1966)	688.47	668.22	656.93	638.68	973.58 (26/5)	616.26 (1/9)
SOUTH AFRICA						
Gold (1958)	690.0	712.0	708.2	716.0	787.6 (7/1)	476.5 (6/7)
Industrial (1958)	684.1	683.9	679.8	678.4	694.1 (18/9)	537.2 (5/8)
SPAIN						
Madrid SE (30/12/80)	142.24	142.18	141.87	141.72	148.18 (8/9)	100.46 (2/1)
SWEDEN						
Jacobson & P. (1/1/58)	549.50	560.87	559.20	566.24	660.31 (10/8)	404.17 (29/1)
SWITZERLAND						
SwissBankCpn. (31/12/58)	265.80	264.9	263.1	266.7	364.2 (2/4)	262.5 (9/3)
WORLD						
Capital Intl. (1/1/70)	—	142.6	142.9	143.2	162.6 (8/9)	142.0 (9/9)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Ralston Purina	1,162,500	11¼	−⅛	ATT	533,600	55⅞	−½
Exxon	1,044,900	31⅞	−½	Gen. Tel. El.	527,800	30	+½
Toro	726,670	8¾	+½	Carnation	489,300	27	+1
Gulf & Western	552,100	16⅜	—	Std Oil Indiana	425,400	52⅞	−⅜
N. West Inds.	543,500	50⅞	−⅛	Sony	419,700	18¼	+⅛

APPOINTMENTS

Lloyds & Scottish Finance post

Mr Grant Phimister has been appointed regional director of LLOYDS AND SCOTTISH FINANCE, with responsibility for Scotland, North-East England and Northern Ireland.

★

Mr Ralph Kanter, managing director of Alpine (Double Glazing), has become managing director of ALPINE HOLDINGS, the parent company. Mr William Bailey has taken over Mr Kanter's responsibilities as managing director (Alpine Double Glazing). Mr Alistair Grant is resigning his position of managing director Alpine Holdings and will become more closely involved in the direction and management of Argyll Foods and ADP. Mr Grant, managing director of James Gulliver Associates, will remain on the board.

★

Mr W. L. B. Shankland, a main board director of BICC and chairman and managing director of BICC Cables, has been elected the 1981-82 president of the BRITISH ELECTRICAL AND ALLIED MANUFACTURERS' ASSOCIATION (BEAMA). Mr T. W. B. Sallitt, a member of the Hawker Siddeley Group board, has become deputy president.

★

HOTHAM GROUP has appointed Mr S. F. B. Heaton to its board as non-executive director.

★

SELF-CHANGING GEARS has appointed Mr R. J. Varley as engineering director. Mr Varley was engine development manager at Leyland Vehicles.

★

Mr E. C. Sosnow, Mrs S. L. Sosnow, Sir Robin Brook, Sir Henry Phillips, Mr E. S. Birk and Mr R. S. Waldron have resigned as directors of UNITED CITY MERCHANTS, and of those subsidiary and associated companies of UCM of which they were directors. Mr H. Najadi, Mr C. J. Chataway, Mr R. D. Campbell and Mr A. J. Lawrence have been appointed directors. Mr Najadi and Mr Chataway have been elected as chairman and deputy chairman respectively.

★

The BRITISH METALLURGICAL CONSTRUCTORS' ASSOCIATION has appointed Mr Leonard Ashworth as chairman and Mr Terry O'Connor as vice-chairman. Mr Ashworth is a director of the Davy Corporation and chief executive of Davy McKee International. Mr O'Connor is chairman and chief executive of The Bronx Engineering Co.

★

Mr Frank Horridge, managing director of DAN-AIR SERVICES has been appointed deputy chairman. He recently completed 25 years with the company. Mr E. Graham Hutchinson, deputy managing director, becomes managing director. He joined Dan-Air Services in June last year from Bowater, where he was chief executive of the transport division.

★

LLOYD'S LIFE ASSURANCE has made the following appointments: Mr Nigel F. Burton has become deputy actuary of Lloyd's Life Assurance and Mr Peter W. Mansell general manager of Lloyd's Life Assurance (IOM).

★

Mr Charles Smith has been re-elected chairman and Mr Richard Eldridge elected deputy chairman of MILFORD DOCKS COMPANY.

★

Mr Greg FitzGerald has been appointed financial director of FAIREY ALLDAY MARINE, a member of the Fairey Holdings Group. Prior to joining Fairey Allday Marine Mr FitzGerald was group management accountant at Staveley Industries in London for six years.

★

MANCHESTER STEEL has appointed Mr Terry Bailey group personnel director and Mr Martin Howell marketing director from October 1 when Mr Ken Knaggs takes over as managing director in succession to Mr Hans E. Sundt. Manchester Steel is owned by Elkem a/s of Norway.

★

Mr Brian Gabbett has been appointed marketing and sales director of REDLER CONVEYORS, part of the Brockhouse Group handling and process plant division.

★

Mr Steven G. Dickman has been appointed deputy managing director of FIDELITY RADIO and its subsidiaries.

★

The APPLEYARD GROUP OF COMPANIES states that Mr John G. H. Hirsch has been appointed a deputy chairman.

★

Mr Keith A. H. Curtis has been appointed export director of RUBEROID BUILDING PRODUCTS. The appointment of Mr Curtis, previously technical manager of Ruberoid Contracts, follows the promotion of former export director, Mr Ian Johnston, to another position in the group.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	International Plastics Exhibition—INTERPLAS (021-705 6707) (until Sept 22)	Nat. Exbn. Cntr., Birmingham
Current	Chelsea Antiques Fair (0727 56069) (until Sept 26)	Town Hall
Current	London Sports Trade Show (01-353 4000) (until Sept 23)	Earls Court
Sept 21-26	International Garage Equipment Trade Exhibition GARAGEQUIP '81 (01-235 7000)	Olympia
Sept 22-23	CCC Business Studies: First National Credit Management Convention and Exhibition (021-643 3589)	Warwick
Sept 22-24	Kent's Industry and Commerce Exhibition (01-729 0677)	Ashford
Sept 23-25	International Spirits and Liqueurs Trade (0272 296630)	Exhibition Centre, Bristol
Sept 23-25	Business Telecommunications Exhibition (09274 28211)	Royal Lancaster Hotel, W2
Sept 27-30	British International Footwear Fair (01-739 2071)	Olympia
Sept 29-Oct 2	British Philatelic Exhibition (063 482 433)	Wembley Conference Centre
Oct 6-10	Park Lane Hotel Antiques Fair (01-353 9382)	Park Lane Hotel, W1
Oct 13-16	6th International Airport Construction and Equipment Exhibition (0727 63213)	Belle Vue, Manchester
Oct 14-15	Hardware Review Exhibition (01-684 4082)	Newcastle
Oct 20-23	International Business Show (01-405 6233)	NEC, Birmingham
Oct 20-23	London Fashion Exhibition (01-385 1200)	Olympia
Oct 21	Motorfair (01-385 1200)	Earls Court

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	International Watchmaking Equipment Exhibition (01-235 2423) (until Sept 25)	Moscow
Current	Hardware Trade Fair (01-439 3964) (until Sept 23)	Paris
Sept 21-25	International Fishing Exhibition (021-705 6707)	Mexico
Sept 22-24	Asian Security Seminar and Exhibition (021-705 6707)	Hong Kong
Sept 23-27	Asian Aerospace Exhibition (021-705 6707)	Singapore
Sept 27-30	International Trade Fair for Cleaning and Flooring CLEANEXPO (01-486 1951)	Malmo
Oct 2-11	First International Fair (021-705 6707)	Singapore
Oct. 9-13	International Market for Videocommunications—VIDCOM (01-499 2317)	Cannes
Oct 12-17	International Maritime Exhibition—RIOMAR (0206 45121)	Rio de Janeiro
Oct 16-25	International Flower and Horticultural Show (01-540 1101)	Copenhagen
Oct 17-21	International Exhibition of Women's Ready-Made Clothing (01-439 3964)	Paris

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Current	Seatrade Academy Anatomy of Shipping (0223 353451) (until Sept 26)	Cambridge
Sept 21-23	DIBC UK/Tullett and Riley: Foreign exchange and money market dealing (01-758 5126)	Great Eastern Hotel, EC2
Sept 22	IPS: Materials management (0990 23711)	Europa Hotel, W1
Sept 22-24	IBM: Planning and control for data processing managers (01-864 5373)	Gatwick
Sept 23-26	International Bar Association: The future of London arbitration (01-830 6432)	Waldorf Hotel, WC1
Sept 24-25	FT Conference: The role of South East Asia in World Airline and Aerospace Development (01-621 1355)	Singapore
Sept 28-29	MSS Computer and Business Consultancy: Computer appreciation for managers/users (Worthing 34755)	Worthing
Sept 28-29	AMR International: Advanced executive secretaries (01-262 2732)	Helsinki
Sept 29	Dun and Bradstreet: More effective collection technique for credit controllers and supervisors (01-247 4377)	Café Royal, W1
Sept 29-Oct 1	Thames Water: Disposal of Sludge to Sea (01-837 3300)	University College, London
Oct 1	British Franchise Association: International franchising and licensing (0753 653546)	Café Royal, W1
Oct 6	The Henley Centre for Forecasting: The new leisure markets for the 1980s (01-353 9961)	Cumberland Hotel, W1
Oct 8-9	Department of Energy: Fifth National Energy Management Conference—Energy Conservation—the key to competitiveness (01-211 3000)	Nat. Exbn. Cntr., Birmingham
Oct 8	Dun and Bradstreet: Understanding credit and collections—for all collection personnel (01-247 4377)	Piccadilly Hotel, Manchester
Oct 12-13	AMR International: Effective presentations (01-262 2732)	Westbury, W1
Oct 12-16	Lloyd's World of Shipping Conference (01-353 1000)	Hong Kong
Oct 13	IPS: Costs and prices—the outlook for 1982-83 (0990 23711)	Penta Hotel, SW
Oct 14	Oyez-IBC: Drafting commercial contracts—variations of standard forms and essential provisions (01-242 2481)	Scientific Society, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Fexmore, Atlantic Tower Hotel, Chapel Street, Liverpool, 12.00
Vibroplant Hldgs., Queen's Hotel, Leeds, 1.00

BOARD MEETINGS—
Finals:
Minerals and Resources Corp.
Second City Properties
Tsr Inv. Tst.
Interims:
Bremner Clark
Cakebread, Robey
Federated Land
Fisons
Pittard
Ransomes Sims and Jefferies
Simon Engineering
Tarmac
Telephone Rentals
Welbeck Invs.

DIVIDEND & INTEREST PAYMENTS—
Berwick Timpo 4p
Cameron (J.W.) Db 2½ 3½ 3½
Gillett Brothers Discount 7p
London Inv. Tst. 0.525p
MFI Furniture Grp. 1.52p
Moorgate Inv. 4.8p
Pfizer Inc. 40cts
PFD Grp. 2p
Ransom (William) 4.175p
Ransomes Sims and Jefferies 5½pcPf. 1.925pc
Siam Commercial (Cayman) Gtd. Fltg. Rate Notes 1984 US$75.47

TOMORROW

COMPANY MEETINGS—
Dura Mill Associated Spinners, 5, China Lane, Manchester, 3.00
Glase and Phoenix Gold Mining, Winchester House, 100, Old Broad Street, EC, 11.30
Imry Property, Connaught Rooms, Great Queen Street, WC, 12.00
Moss (Robert), Masonic Hall, 333, Banbury Road, Oxford, 3.30

BOARD MEETINGS—
Finals:
Barratt Developments
Electronic Machine
Zetters
Interims:
APV
Bank of Scotland
Bodycote Intnl.
Brixton Estate
DRG
Home Charm
Kleinwort, Benson Lonsdale
Laporte Inds.
Menzies John
Northern Engineering Inds.
United Newspapers
Wadkin

DIVIDEND & INTEREST PAYMENTS—
Adams and Gibbon 1.25p
Exchequer 9½pc 1982 4¾pc. 12pcCnv. 1985 £7.2123 13½pc 1990 £5.1821. 13½pc 1992 6¾pc
Moss (Robert) 1.071p
Victoria Carpet Hldgs. 0.5p

WEDNESDAY, SEPTEMBER 23

COMPANY MEETINGS—
Allen (W. G.) (Tipton), Station Hotel, Dudley, West Midlands, 12.30
Allied Colloids, Cleckheaton Road, Low Moor, Bradford, 12.30
British Northrop, Daisyfield, Blackburn, 12.00
Forminster, May Fair Hotel, Berkeley Street, W, 11.30
Property Security Inv. Tst., Founders' Hall, 13, St. Swithin's Lane, EC, 12.15
Tyne Plywood (Hldgs.), Kingsway, Team Valley, Gateshead, 10.30
Warner Holidays, Warner House, North Street, Havant, Hants., 12.00

BOARD MEETINGS—
Finals:
Armstrong Equipment
Estates Property Inv.
Mills and Allen Intnl.
Interims:
MacLellan (P. and W.)
Phicom
Stewart Wrightson
Sunlight Service
Sykes (Henry)
Tootal

DIVIDEND & INTEREST PAYMENTS—
Davy Corp. 4.7p
Essex Water 3.5pc (fmly 5pc) Cons. 1.75pc. 3.5pc (fmly 5pc) New Ord. 1.75pc
Girozentrale Und Bank Der Osterreichischen Sparkassen AG Fltg. Rate Subord. Notes 1991 US$48.72
Scandinavian Finance BV Stlg. Fltg. Rate Notes 1990 US$32.45
Serck Db. 5¼pc
Urquijo Intnl. Gtd. Fltg. Rate Notes due 1986 US$71.85

THURSDAY, SEPTEMBER 24

COMPANY MEETINGS—
AAA Inds., Vale Road, Tonbridge, Kent, 11.30
British Building and Engineering Appliances, University Arms Hotel, Cambridge, 12.00
Burt Boulton, Brettenham House, Lancaster Place, WC, 12.30
Fitch Lovell, Connaught Rooms, Great Queen Street, WC, 12.00
Macarthys Pharmaceuticals, Furze Hill Restaurant, Margaretting, Ingatestone, Essex, 11.00
Norton (W.E.), Royal Automobile Club, Pall Mall, SW, 12.00
Phoenix Timber, Phoenix House, Manor Way, New Road, Rainham, Essex, 12.00
Preedy (Alfred), Burnt Tree House, Burnt Tree, Tipton, West Midlands, 5.45
Scottish, English and European Textiles, Caledonian Hotel, Edinburgh, 12.30
Stonehill Hldgs., Churchill Hotel, Portman Square, W, 11.30
Tomkins (F. H.), Post House, Great Barr, 12.00
Wellman Engineering Corp., Davis House, 129, Wilton Road, SW, 12.00
Western Board Mills, Post House, Pentwyn Road, Pentwyn, Cardiff, 12.00

BOARD MEETINGS—
Finals:
Casket (S.)
Dowding and Mills
Interims:
AC Cars
Aberdeen Construction
Alpine Hldgs.
Alva Inv. Tst
Clarke, Nickolls and Coombs
Dunlop
Finlay Packaging
General and Commercial Inv. Tst.
General Investors and Trustees
Glossop
Haden
Hall Engineering
Howden (Alexander)
Hurst (Charles)
Jersey Electricity
Leyland Paint and Wallpaper
Morrison (William) Supermarkets
Owen Owen
Rowan and Boden
Rowntree Mackintosh
Sparrow (G. W.)
Spear and Jackson Intnl.
Wilkinson Warburton
Wills (George)
Wimpey (George)

DIVIDEND & INTEREST PAYMENTS—
Automotive Products 1p
Banco De La Nacion Argentina Fltg. Rate Notes 1986 US$74.43
Evode Hldgs. 0.539p
Halliburton 30cts
National Bank of Canada Fltg. Rate Db. due 1988 US$370.56
Sidlaw Inds. Ln. 3½pc
Sogomana Grp. 7p
Warner Holidays Ord. and A Ord. 1.75p
Wellman Engineering Corp. 1.75p

FRIDAY, SEPTEMBER 25

COMPANY MEETINGS—
Allied Suppliers, Cavenham House, Hayes, Middx., 11.00
Garford-Lilley Inds., Gt. Northern Hotel, Kings Cross, 11.30
Gordon and Gotch, Gotch House, 30, St. Bride Street, EC, 12.00
Hampson Inds., Chamber of Commerce, 75, Harborne Road, Edgbaston, Birmingham, 12.00
Hartley Industrial Tst., 45, Hertford St., W, 12.00
Ingram (Harold), 21, Newman Street, W, 11.30
Longton Industrial Hldgs., North Stafford Hotel, Station Road, Stoke-on-Trent, 3.00
Midland Tst., Britannic Assce., Moor Green, Moseley, Birmingham, 3.30
Norton and Wright, Queen's Hotel, Leeds, 12.00
Smith (David S.), Kingsley Hotel, Bloomsbury Way, WC, 12.00
Somerville (William), Dalmore Mills, Milton Bridge, 2.30
Sound Diffusion, Datum Works, Davigdor Road, Hove, Sussex, 5.30
Textured Jersey, Engineers Way, Wembley, Middx., 12.00
Webb (Joseph), Station Hotel, Dudley, West Midlands, 12.00

BOARD MEETINGS—
Finals:
Mucklow (A. and J.)
Zambia Copper Invs.
Interims:
Astbury and Madeley
Liberty
Southampton, I.O.W. and South of England Royal Mail Steam Packet

DIVIDEND & INTEREST PAYMENTS—
Abbey Panels Invs. 1.3p
Ailsa Inv. Tst 4.2p
Allied Suppliers Lns. 5½ (92-97), 5¼pc (91-96)
Associated British Foods Lns. 2½, 3¼pc (87-2002)
Barker and Dobson Ln. 6pc
Barton Group 6pcPf. 2.1pc
Black and Decker Manufacturing 19cts
Burt Boulton 2p
CSC Inv. Tst 3.25p
Caledonian Assoc. Cinemas 5.25pcPf. 2.625pc
Centrovincial Estates Ln. 3¼pc
Chapman and Co. (Balham) Deb. 4¼pc
Chesebrough-Pond's Inc. 38cts
Durford and Elliott Redemption of 5pc Deb. 75-85 at par plus accrued interest 2½pc. Do Redemption of 7pcDeb. 76-82 at £pc100: nom. of Stk. plus accrued interest 3½pc
Hanson Tst. Ln. 3½pc
Intereuropean Property Deb. 5pc
Intl. Inv. Tst. of Jersey 3p
Lonrho Debs. 4½, 6½, 6¾pc
Petrolane Inc 10.5cts
Renold Deb 4pc
Russell's Gravesend Brewery 6pcPf. 2.1pc
Securicor Group Ord. and A Ord. 0.55p
Do. 6½pcPtg.Pf. 7.175pc
Security Services Ord. and A Ord. 1p
Stonehill Hldgs. 4.5p
Tarry (E.W.) 10p
Thomas Nationwide Trans. 3cts
Western Board Mills 4.2p
York Waterworks Cons Ord 4.9pc (fmly. 7pc) 2.45pc. Do. 3.5pc (fmly 5pc) (max. div.) 1.75pc. Do. Cons.Pf (4.2pc max. fmly. 6pc) 2.1pc. Do. 4.2pc (fmly. 6pc) Red.Pf. 83-84

SATURDAY, SEPTEMBER 26

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Corp. 14¼pcDeb. 1984 7⅛pc
East Surrey Water 10pcRed.Pf. 1986 £0.8931pc. Do. 8pcRed.Pf. 1982 4pc. Do. 10pc Red.Pf. 1986 0.8931pc.
Exchequer 12¼pc 1999 6⅛pc. Do. 12¼pc 1999 B £7.8039
Treasury 12pc 1984 6pc. Do. 13½pc 2004-08 6¾pc

SUNDAY, SEPTEMBER 27

DIVIDEND & INTEREST PAYMENTS—
Mersey Docks and Harbour Debs. 1¾ (79-89), 1¾, 2¾, 3¾pc
Scottish Life Assce. 5¾pc

CONTRACTS AND TENDERS

Sun Hung Kai Properties earnings near HK$1bn

BY KEVIN RAFFERTY IN HONG KONG

SUN HUNG KAI PROPERTIES has moved close to becoming a HK$1bn profit-maker with the announcement of a 93 per cent increase in attributable profit for the year to June 30 to HK$917.2m (U.S.$155m), including HK$287.85m of extraordinary items.

It also announced a plan to raise HK$484m (U.S.$60) by way of rights, and also intends to make a one-for-four scrip issue. Earnings before extraordinaries were HK$629.3m, against HK$453.9m.

The rights issue is to be of 48.8m 9.5 per cent convertible cumulative redeemable preference shares of HK$10 each on the basis of one-for-eight ordinary shares of HK$1 held. The preference shares will be convertible to ordinary shares between January 1982 and January 1989 at the average price of late October 1981 plus a 5 per cent premium.

Mr Kwok Tak Seng, the chairman, says in his report that "the business of property development is heavily capital intensive. With the high rate of interest prevailing in the money market, the company must minimise its dependence on banks for loans in order to reduce finance expenses." The proceeds of the rights issue are to be used to meet the cost of building Sha Tin town centre, to increase the company's mortgage loan portfolio, and to purchase new sites for development.

In the past year Sun Hung Kai Properties has acquired 27m shares in Kowloon Motor Bus, equal to 26 per cent of the issued capital, which it says are "intended to be held as a long-term investment." Mr Kwok has joined the board of the bus company.

In July Sun Hung Kai Properties disposed of its entire stake of 120m shares in International City Holdings, the new property company of which Mr Li Ka-Shing of Cheung Kong is chairman.

Sun Hung Kai's property sales in the past year reached a record level of HK$1.9bn, compared with HK$1.4bn.

The company is to pay a final dividend of 40 cents per share plus a special cash dividend of 15 cents a share, making a total for the year of HK$0.79, an increase of 84 per cent on the adjusted 1980 total.

Mr Kwok expresses optimism about the longer term prospects of property in Hong Kong. He says: "Property sales have slowed down considerably, and there is little prospect of the situation improving until interest rates take a downward turn. However, land in Hong Kong remains an ever-scarce commodity, while the population continues to expand."

Adsteam's profits rise 41%

By Our Financial Staff

ADELAIDE STEAMSHIP, the Australian diversified industrial group which has expanded actively through acquisitions, increased its net profits by 41 per cent to A$17.67m (U.S.$20m), in the year to June 30, from A$12.5m in 1979-80.

The company plans to make a one-for-ten issue of options, or up to 5.37m, at one cent each, convertible between October 1, 1986 and November 14 that year, at A$3.30 each, to bring in up to A$17.7m (U.S.$20m). Adsteam is to seek a listing for the options on Australian stock exchanges, provided shareholders approve the issue at the annual meeting on November 23.

The higher earnings for the year were the result of all-round improvements at member companies of the Adsteam group. These include David Jones, the international stores group, which was brought under the effective control of Adsteam last year by way of a 44 per cent stake, and which, is equity-accounted.

David Jones raised its profits by 396 per cent to A$12.04m for the 53 weeks to August 1, from A$2.45m the previous year, and restored a final dividend, of 5 cents, to make an annual payout of 10 cents, against the 4 cents (interim) the previous year.

Pillsbury sees advance in net income

PILLSBURY COMPANY, the diversified U.S. food concern, expects net income to increase by 12 per cent to 15 per cent for the year ending May 31 1982, according to Mr William Spoor, chairman and chief executive. In fiscal 1981 the company earned $119.6m or $5.95 a share, on sales of $3.3bn, reports AP-DJ from Minneapolis.

The main reason for the expected improved performance would be an expected drop in the prices of commodities the company uses to make many of its products.

The company said the decline in first-quarter earnings probably would not be as sharp as the 25 per cent drop previously predicted, but declined to be more specific.

Fags acquires interest in Banco O'Higgins

BY WILLIAM HALL, BANKING CORRESPONDENT

The Antofagasta (Chili) and Bolivia Railway Co. (Fags), which is quoted on the London Stock Exchange and runs a railway and waterworks in Chili, is taking a 3.2 per cent stake in Banco O'Higgins, one of the most profitable banks in Chile.

Fags is now controlled by a Chilean businessman, Mr Luksic, and its subsidiary, Andes Trust, is one of a group of companies, led by Mr Luksic, who are buying majority control of Banco O'Higgins from the Confederation de Cooperatives del Argo, the central agricultural co-operative in Chile.

Banco O'Higgins, which is named after the revolutionary leader of Irish descent who won independence for Chile, ranks ninth in size in Chile. It was established in 1956 and in 1971 took over the branches of the Bank of London and South America in Chile.

Andes Trust is paying the equivalent of $2.6m in cash for its stake and Fags' directors say that it is part of the group's philosophy of broadening its base in Chile.

Banco O'Higgins had net tangible assets equivalent to some $56m at the end of last year and net profits amounted to $8.8m. The bank arranged a seven-year $40m syndicated loan in London in July to on-lend to its corporate clients.

Advance at Dainippon Pharmaceutical

Dainippon Pharmaceutical has reported a 12.1 per cent rise in consolidated after-tax profits to Y1.275bn ($5.6m) in the year to May 31. The rise came on a 9.7 per cent advance in sales, to Y58.393bn. Earnings per share rose to Y18 from Y16.06, AD-DJ reports from Tokyo. The Osaka-based company predicts shrinking profit margins this year.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
*APV	Sept 22	Int. 2.8
Adwest	Sept 29	Final 5.33
Anglo Amer. Inv. Tst.	Oct 2	Int. 280 cents
*Armstrong Equipment	Sept 23	Final 1.72
Associated Biscuit	Oct 14	Int. 2.0
*Bank of Scotland	Sept 22	Int. 8.0
*Barratt Devs.	Sept 22	Final 8.85
*Bilton (Percy)	Oct 1	Int. 2.5
Brit. Home Stores	Oct 22	Int. 1.75
*Brixton Estate	Sept 22	Int. 1.46
Brooke Bond	Oct 21	Final 2.655
Currys	Sept 29	Int. 1.5
*Dalgoty	Sept 29	Final 11.0
Debenhams	Oct 16	Int. 2.041
*DRG	Sept 22	Int. 3
*Dunlop	Sept 24	Int. 2.65
Duport	Oct 22	Int. nil
*Fisons	Sept 21	Int. 6.9
Gerrard and Nat.	Oct 15	Int. 5.0
Gill & Duffus	Oct 23	Int. 3.6
Glaxo	Oct 13	Final 6.0
Grattan Warehouses	Sept 24	Int. 1.868
Hawker Siddeley	Oct 22	Int. 3.0
*Howden (A.)	Sept 24	Int. 3.5
*Kleinwort Benson	Sept 22	Int. 3
*Laporte Inds.	Sept 22	Int. 3.5
London Brick	Oct 21	Int. 1.734
London and Northern	Oct 22	Int. 1.4
Marks and Spencer	Oct 16	Int. 1.5
*Mills and Allen Int.	Sept 23	Final 11
Mothercare	Oct 21	Int. 1.62
Mowlem (J.)	Oct 15	Int. 1.9
*NEI	Sept 22	Int. 1.25
Peachey Property	Oct 23	Final 2.8
*Rnsm. Sims & Jefferies	Sept 21	Int. 3.14
*Ready Mixed Concrete	Sept 29	Final 3.7
Reed (Austin)	Oct 2	Int. 0.9
Rockware	Oct 8	Int. nil
*Rowntree Mackintosh	Sept 24	Int. 2.5
*Rugby Prtlnd. Cement	Oct 5	Int. 2.2
*Scot. Mtrpltn. Prop.	Oct 7	Final 2.0
Sears Hldgs.	Oct 7	Int. 0.7
Simon Engng.	Sept 21	Int. 4.0
*Tarmac	Sept 21	Int. 5.5
UBM	Oct 21	Int. 2.0
*Vickers	Oct 1	Int. 4.55
*Wimpey (G.)	Sept 24	Int. 0.85

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 8555)	13¼	½-year	1,000	1-3

County sees jobs scope

NEARLY 12,000 jobs could be created in East Sussex if all unused industrial and commercial planning permissions are taken up, according to figures recently released by the County Council's planning department.

Industry would provide 40 per cent of the new jobs, offices another 34 per cent with the rest in shopping developments. Land set aside for industrial use in the county, but without planning permission so far, could create another 11,000 jobs.

Mr Andrew Thorburn, county planning officer, commented: "The council is doing everything it can to boost the economy of the county. These figures show that, despite the recession, industrial and commercial developers have confidence in the future of East Sussex. We are well placed, in terms of land, to take advantage of any upturn in the economy."

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p	+ or −	Div. amount	Times covered	Gross yield	P/E ratio
153	F.P.	21/8	172	145	✠Aerospace Eng.	145	—	bd7.5	1.4	7.3	11.2
—	F.P.	14/8	8	6	✠Hartons 5p	8	—	—	—	—	—
25	F.P.	12/9	28	26	Japan Assets Trust 10p	25	−½	—	—	—	—
62	F.P.	2/10	56½	55	Jeavons Eng.	55	—	b3.75	1.7	9.7	7.2
‡100	F.P.	30/10	102	101	MarineAdv.Sail.Tec. $1	101	—	—	—	—	—
[illegible]	F.P.	20/8	125	105	✠Newcourt Oil	105	—	—	—	—	—
—	F.P.	—	180	170	Nippon Electric	170	—	Q[illegible]	2.9	0.9	37.5
—	F.P.	18/9	14	10	Stewart Ent. Warra.	13	—	—	—	—	—
82	F.P.	28/8	120	112	St'ckhold'rsF.E.Inv $1	112	—	—	—	—	—
65	F.P.	7/9	85	75	✠Thorpac	85	−2	b1.82	3.7	3.1	10.9
100	F.P.	15/7	104	88	Utd.Comp.&Tech. 50p	97	—	—	—	—	—
‡15	F.P.	25/9	17½	13	✠WillaireSystems 10p	13	—	—	—	—	—
¶¶	F.P.	11/9	16	9	Do. Rest. Div. 10p	9xr	—	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price £	+ or −
¶¶	F.P.	—	127	120	Amtel Dist. Products 10 Cv. Ln. '97	122	—
100	£40	30/10	38⅞	38⅛	Birmingham Drop-Lock '86/93	38⅞	+⅛
100 ‖	F.P.	7/8	112¼	95½	Chloride 7½% Conv. Prf.	95½	−1
¶	F.P.	24/9	100½	99⅞	East Surrey Water 10% Prf. 1986	101	—
100 ‖	F.P.	28/8	113	104	Hanson Trust 9½% Cv. Uns. Ln. 2000-6	109	[illegible]

[illegible]

"RIGHTS" OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

CURRENCIES, MONEY and GOLD

Sterling and the interest rate game

BY JONAS CROSLAND

The rise in base lending rates preceded by a sharp upward prod from the Bank of England was taken rather badly by the money market last week. Firstly the idea of market rates finding to a greater extent, their own level was quietly forgotten, as the authorities made their wishes known in much the same way as before. Secondly the rise in rates was deemed as necessary to counter the rapid expansion in bank lending to the private sector. Those who believed that money supply figures were already showing too fast a rise were given some satisfaction last week when the authorities abandoned their attempt to apportion some of the recent sharp rises to distortions caused by the civil service strike. Even with MLR at 17 per cent the problem was not really solved.

Thirdly sterling has been losing ground against the dollar and also against European currencies, thus helping to create the competitive edge that industrialists have been crying for. But the authorities have dealt a double blow by increasing interest rates to push sterling firmer. Ironically the pound has fallen from DM 4.29 and $1.85 to around DM 4.16 and $1.83 since base rates were increased, leaving the market feeling very uncomfortable and strengthening a feeling already held by many that 14 per cent may not be high enough. There has always been the continued fall in the rate of inflation to offer some comfort, that is until August's figures were announced on Friday showing a year on year rise of 11.5 per cent against 10.9 per cent previously.

Until the effects of the civil service dispute are just a memory there seems to be little prospect of any clear assessment of money supply but it is ominous that meanwhile the authorities have decided to push rates higher.

THE POUND SPOT AND FORWARD

Sept 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8230-1.8440	1.8340-1.8350	0.20-0.30c dis	−1.63	1.00-1.10dis	−2.29
Canada	2.1920-2.2120	2.2010-2.2030	0.75-0.85c dis	−4.36	2.10-2.30dis	−4.00
Nethlnd.	4.58-4.64	4.61½-4.62½	1¼-¾ pm	2.60	2⅞-2⅜ pm	2.27
Belgium	67.80-68.60	68.20-68.30	35-45c dis	−7.03	105-120 dis	−6.59
Denmark	13.08-13.19	13.08½-13.10½	6¾-8ore dis	−6.76	15½-17 dis	−4.96
Ireland	1.1400-1.1530	1.1450-1.1470	0.20-0.30p dis	−2.62	0.70-0.85dis	−2.70
W. Ger.	4.4-4.19	4.16-4.17	1¼pf pm	2.88	3½-3 pm	3.12
Portugal	116.75-118.25	117.00-117.50	85-290c dis	−19.19	175-550dis	−12.37
Spain	170.75-172.25	171.10-171.40	40-70c dis	−3.85	150-200dis	−4.09
Italy	2,115-2,126	2,124-2,126	31¾-34¾ lire dis	−18.78	78-82 dis	−15.06
Norway	10.69-10.73	10.70½-10.72½	2-⅞ore pm	1.67	4½-3 pm	4.06
France	9.93-10.04	9.99-10.00	7¾-8¾c dis	−9.90	20¼-21¼ dis	−8.30
Sweden	10.04-10.12	10.06½-10.08½	2¼-1½ore pm	2.23	5½-4½ pm	1.98
Japan	412-420	414½-415½	2.80-2.50y pm	7.66	8.10-7.80 pm	7.66
Austria	29.05-29.35	29.15-29.20	10-5gro pm	3.08	20-10 pm	2.06
Switz.	3.55-3.61	3.56¾-3.57¾	1⅜-⅞c pm	3.78	4-3 pm	3.92

Belgian rate is for convertible francs. Financial franc 73.80-73.90. Six-month forward dollar 2.15-2.25c dis. 12-month 3.75-3.95c dis.

THE DOLLAR SPOT AND FORWARD

Sept 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8230-1.8440	1.8340-1.8360	0.20-0.30c dis	−1.63	1.00-1.10dis	−2.29
Ireland†	1.6000-1.6070	1.6040-1.6070	0.20-0.10c pm	1.12	0.29-0.16 pm	0.55
Canada	1.1984-1.2020	1.2000-1.2003	0.30-0.35c dis	−3.25	0.70-0.75dis	−2.42
Nethlnd.	2.525-2.5260	2.5175-2.5225	0.95-0.85c pm	4.31	3.00-2.90 pm	4.71
Belgium	37.14-37.33	37.19-37.21	17-23c dis	−6.48	30-37 dis	−3.62
Denmark	7.1200-7.1600	7.1225-7.1250	2.65-2.90ore dis	−4.67	3.65-4.15dis	−2.19
W. Ger.	2.2500-2.2940	2.2685-2.2695	0.93-0.88pf pm	4.79	3.15-3.10 pm	5.51
Portugal	63.75-64.90	63.75-64.25	40-140c dis	−16.87	60-260 dis	−10.00
Spain	93.15-93.80	93.70-93.80	5-15c dis	−1.28	25-45 dis	−1.49
Italy	1,153-1,159	1,156-1,159	15-8 lire dis	−17.14	37-41 dis	−13.51
Norway	5.8200-5.8490	5.8300-5.8330	2-1½ore pm	3.60	5¾-5¼ pm	3.77
France	5.4100-5.5000	5.4475-5.4525	4-5c dis	−9.92	8½-10 dis	−6.80
Sweden	5.4800-5.5090	5.4830-5.4850	2.00-1.80ore pm	4.16	6.30-6.10 pm	4.52
Japan	225.75-228.00	226.20-226.30	1.80-1.65y pm	9.15	5.60-5.45 pm	9.77
Austria	15.86½-15.96	15.89-15.90	7.80-6.30gro pm	6.32	21-17 pm	4.78
Switz.	1.9330-1.9710	1.9470-1.9480	1.04-0.94c pm	6.10	3.39-3.29 pm	6.86

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

	Sept. 18		Sept. 17	
Gold Bullion (fine ounce)				
Close	$446½-448½	(£242¾-243¾)	$455½-457	(£247¼-249)
Opening	$446-447	(£243¾-244¼)	$454½-455½	(£245¾-246¼)
Morning fixing	$446.75	(£243.460)	$456	(£246.353)
Afternoon fixing	$447	(£243.464)	$459	(£247.573)
Gold Coins				
Krugerrand	$461½-462½	(£251½-252)	$468½-469½	(£254¼-254¾)
1/2 Krugerrand	$237½-238½	(£129½-130)	$241¼-242¼	(£130¾-131½)
1/4 Krugerrand	$121-122	(£66-66½)	$123-124	(£66¾-67¼)
1/10 Krugerrand	$49½-50½	(£27-27½)	$50¼-51¼	(£27¼-27¾)
Mapleleaf	$461½-462½	(£251½-252)	$468½-469½	(£254¼-254¾)
New Sovereigns	$110-111	(£60-60½)	$112¼-113	(£60¾-61¼)
King Sovereigns	$124½-126	(£67¾-68½)	$125½-127	(£68-69)
Victoria Sovs.	$124½-126	(£67¾-68½)	$125½-127	(£68-69)
French 20s	$130-134	(£70¾-73)	$132-136	(£71½-73¾)
50 pesos Mexico	$557-560	(£303½-305)	$563-567	(£305½-307½)
100 Cor. Austria	$434-437	(£236½-238)	$441-444	(£239¼-240¾)
$20 Eagles	$586-591	(£319¼-322)	$590-593	(£320-321¾)

OTHER CURRENCIES

Sept. 18	£	$		£ Note Rates
Argentina Peso	10,252-10,272†	5598-5618†	Austria	29.10-29.50
Australia Dollar	1.5840-1.5880	0.8645-0.8650	Belgium	73.40-74.20
Brazil Cruzeiro	193.93-194.93	105.99-106.52	Denmark	13.03-13.18
Finland Markka	8.112-8.143	4.4220-4.4250	France	9.97-10.17
Greek Drachma	101.448-104.563	55.80-55.90	Germany	4.14-4.20
Hong Kong Dollar	10.97¼-10.99¼	5.9800-5.9850	Italy	2100-2160
Iran Rial	147.50*	79.70*	Japan	415-420
Kuwait Dinar (KD)	0.513-0.519	0.2825-0.2828	Netherlands	4.59-4.65
Luxembourg Fr.	68.20-68.30	37.19-37.21	Norway	10.66-10.88
Malaysia Dollar	4.2975-4.3075	2.3425-2.3475	Portugal	115½-133
New Zealand Dlr.	2.1965-2.2015	1.1975-1.1985	Spain	167¼-179
Saudi Arab. Riyal	6.22-6.28	3.4180-3.4210	Sweden	10.03-10.13
Singapore Dollar	3.9075-3.9175	2.1300-2.1350	Switzerland	3.54-3.60
Sth. African Rand	1.7210-1.7250	0.9380-0.9390	United States	1.83½-1.85¼
U.A.E. Dirham	6.69-6.75	3.6690-3.6710	Yugoslavia	74-78

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 13,577-13,597 and for the dollar 7,400-7,450. *Sterling rate.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Sept. 18	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14⅛-14⅝	15⅝-15⅞	18-19	11½-12¼	8-8½	11½-11¾	18-20	50-70	18½-22½	6½-7
7 days' notice	14⅝-14⅞	15⅞-16⅛	18-19	12⅛-12¼	7¾-8¼	11½-11¾	22-24	38-52	18½-22½	7-7¼
Month	15-15¼	16½-16¾	19⅛-19¾	12½-12¾	10⅛-10⅝	11½-12	24½-26	33¼-36¾	24½-27	7¼-7⅜
Three months	15⅛-15⅜	17⅜-17⅝	19½-19⅞	12⅝-12¾	10½-10⅝	11¾-11⅞	23-24½	30-32¼	21½-22¾	7¼-7½
Six months	15⅛-15⅜	17½-17¾	19⅜-19¾	12⅝-12¾	10⅞-11	11⅞-12	23-24	28½-30	20-21	7¼-7⅜
One Year	14¾-14⅞	17-17¼	18⅞-19¼	12⅛-12¼	10⅛-10¼	11½-11¾	22-22¾	26¾-28¼	18-19	7½-7¾

SDR linked deposits: one-month 14[illegible]-15[illegible] per cent; three-months 15[illegible]-15[illegible] per cent; six-months 15[illegible]-15[illegible] per cent; one-year 15-15½ per cent.
ECU linked deposits: one-month 16[illegible]-16[illegible] per cent; three-months 16½-16¾ per cent; six-months 16⅝-16¾ per cent; one-year 15⅞-16⅛ per cent.
Asian $ (closing rates in Singapore): one-month 16⅜-16⅝ per cent; three-months 17¼-17½ per cent; six-months 17[illegible]-17[illegible] per cent; one-year 17[illegible]-17[illegible] per cent.
Long-term Eurodollar two years 17⅛-17⅜ per cent; three years 17-17¼ per cent; four years 17-17¼ per cent; five years 16⅞-17⅛ per cent; nominal closing rates.
The following nominal rates were quoted for London dollar certificates of deposit: one month 16.40-16.50 per cent; three-months 17.00-17.10 per cent; six-months 17.15-17.25 per cent; one year 16.85-16.95 per cent.

FT LONDON INTERBANK FIXING (11.00 a.m. SEPTEMBER 18)

3 months U.S. dollars		6 months U.S. dollars	
bid 17 3/8	offer 17 1/2	bid 17 5/8	offer 17 3/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Sept. 18 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	1-14¼	—	—	—	12⅛-14⅝	9-14	—	—	—
2 days notice	—	—	14-14½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14¼-14½	14⅝	—	14⅞	14⅛	13¾-15⅞	—	—	—
One month	14[illegible]-14[illegible]	14⅝-14⅞	14½	15⅝-15⅛	14¾	14⅝	13¾	14¼	14[illegible]-14⅜	15
Two months	14[illegible]-14[illegible]	14¾-15	—	15¼-14⅞	14⅞	—	13¾	14¼-14⅜	14¼-14[illegible]	15
Three months	15[illegible]-14[illegible]	14[illegible]-15⅛	14⅞	15¼-14⅞	15	14⅞	13¾	14⅜-14[illegible]	14[illegible]	15
Six months	15-14⅞	14⅞-15⅛	14⅞	14⅝-14⅛	15	—	—	—	14[illegible]	14⅝
Nine months	14[illegible]-14[illegible]	14[illegible]-15	—	15-14⅝	15	—	—	—	—	—
One year	14[illegible]-14[illegible]	14¾-15	14⅞	14⅞-14⅝	15	—	—	—	—	—
Two years	—	—	15	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 15 per cent four years 15 per cent; five years 15¼ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 14[illegible]-14⅛ per cent; four-month trade bills 14[illegible] per cent.

Approximate selling rate for one-month Treasury bills 14⅛ per cent; two-months 14⅛ per cent; three months 14[illegible]-14[illegible] per cent. Approximate selling rate for one-month bank bills 14[illegible]-14¼ per cent; two-months 14¼ per cent and three-months 14[illegible] per cent; one-month trade bills 14¾ per cent; two-months 14¾ per cent and three-months 14¾ per cent.

Finance Houses Base Rates (published by the Finance Houses Association). 14½ per cent from September 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 11-11½ per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rate of discount 14.4381 per cent.

CURRENCY RATES

Sept. 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.632249	0.595527
U.S. $	14	1.15838	1.09339
Canadian $	18.67	1.38970	1.31272
Austria Sch.	6¾	18.4584	17.3958
Belgian F.	13	43.0417	40.5647
Danish K.	11	8.30776	7.81225
D mark	7½	2.63092	2.47428
Guilder	9	2.90902	2.74440
French Fr.	9½	6.30683	5.93983
Lira	19	1336.66	1261.77
Yen	6¼	263.856	247.324
Norwgn. Kr.	9	6.79563	6.38538
Spanish Pts.	8	108.376	102.396
Swedish Kr.	12	6.37170	6.01035
Swiss Fr.	6	2.25853	2.11898
Greek Dr'ch.	20½	—	61.1094

FT UNIT TRUST INFORMATION SERVICE

OFFSHORE & OVERSEAS—contd.

Clive Investments (Jersey) Ltd.
P.O. Box 86, St. Peter Port, Guernsey. 0481 26521

Guinness Mahon Fd. Mgrs. (Guernsey)
PO Box 188, St. Peter Port, Guernsey. 0481 23506.
Intl. Fund $19.94 20.48 ..... 11.20
Prices at August 27. Next dealing September 24.

Hambro Pacific Fund Mgmt. Ltd.
2110, Connaught Centre, Hong Kong
Far East Sept. 16 HK$26.61 28.57
Japan Fund Sept. 16 US$10.59 11.37 +0.11

[illegible]

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Am. Gth. Tst.	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Capital	[illegible]	[illegible]	[illegible]	[illegible]
Abbey General	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Gilt & F.I. Tst.	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Income	[illegible]	[illegible]	[illegible]	[illegible]
Abbey W'wide Tst.	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Inv. Tst. Fd.	[illegible]	[illegible]	[illegible]	[illegible]
Equitas Prog. Tst.	[illegible]	[illegible]	[illegible]	[illegible]

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB 01-623 6314

AHR Gilt Trust	[illegible]	[illegible]	[illegible]	13.75

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex
01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st	[illegible]	[illegible]	[illegible]	[illegible]
Brit. Inds. Fund	[illegible]	[illegible]	[illegible]	[illegible]
Growth & Income	[illegible]	[illegible]	[illegible]	[illegible]
Elect. & Ind. Dev.	[illegible]	[illegible]	[illegible]	[illegible]
Allied Capital	[illegible]	[illegible]	[illegible]	[illegible]
Hambro Fund	[illegible]	[illegible]	[illegible]	[illegible]
Hambro Acc. Fund	[illegible]	[illegible]	[illegible]	[illegible]

Income Funds

High Yield Fd.	[illegible]	[illegible]	[illegible]	[illegible]
High Income	[illegible]	[illegible]	[illegible]	[illegible]
Equity Income Fd.	[illegible]	[illegible]	[illegible]	[illegible]
Gov. Secs.	[illegible]	[illegible]	[illegible]	[illegible]

International Funds

[illegible]

FT UNIT TRUST INFORMATION SERVICE

[illegible]

INSURANCE PROPERTY BONDS

[illegible]

OFFSHORE & OVERSEAS FUNDS

[illegible]

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
17May	17N	Treas. Variable '81‡‡	99¾	10.4	13.75	14.07
23May	23N	Exch. 12¾pc 1981‡‡	99¾	16.4	12.81	14.40
15Jul	15Ja	Treas. 8½pc '80-82‡‡	98⅛	8.6	8.66	14.33
15Aug	15F	Treasury 3pc '82‡‡	96⅛	9.7	3.12	13.06
16S	16Mar	Treasury 14pc '82‡‡	100⅛	10.8	13.98	13.82
15D	15Jun	Treas. Variable '82‡‡	99¾	11.5	13.77	14.19
5Ja	5Jul	Treasury 8¼pc '82	95½	1.6	8.63	14.37
22Mar	22S	Exch. 9¼pc 1982	95¼xd	17.8	9.71	14.52
5Jul	5Ja	Exch. 8¾pc 1983	94½	1.6	9.25	13.43
21Aug	21F	Exch. 3pc 1983	90¾	15.7	3.30	10.14
17S	17Mar	Treasury 12pc 1983‡‡	96⅞	11.8	12.38	14.44
24N	24May	Treas. Variable '83‡‡	99¼	21.4	13.80	14.07
18Ja	18Jul	Treasury 9¾pc '83	92¼	11.6	10.01	14.08
22May	22N	Exch. 13½pc '83	97½	15.4	13.84	14.79
12Jun	12D	Exch. 10pc 1983	91⅝	6.5	10.94	14.62
15Jul	15Ja	Funding 5½pc '82-84‡‡	86½	8.6	6.35	12.33
20Aug	20F	Exch. 11¼pc 1984	92⅝	14.7	12.14	14.95
22N	22May	Exchequer 14pc 1984	97¾	15.4	14.32	15.80
19D	19Jun	Exch. 3pc 1984	80¼	11.5	3.73	11.53
26Mar	26S	Treasury 12pc 1984	93xd	20.8	12.90	14.99
22Aug	22F	Treasury 15pc 1985	100⅛	16.7	14.94	14.81
22S	22Mar	Exch. 12pc Cnv '85	91⅝xd	17.8	13.09	15.19
21N	21My	Treasury 3pc 1985	74	14.4	4.05	11.96
15Jan	15Jul	Treasury 11½pc 1985●	88⅞	—	12.93	15.42
22May	22N	Exch. 12¼pc 1985	91	15.4	13.46	15.19
25 Aug.	25F	Exch. 11¾pc '86	89¼	20.7	13.16	15.14
19N	19May	Treasury 3pc 1986	68¾	—	4.36	11.93
12D	12Jun	Treasury 12pc '86	89¼	6.5	13.44	15.24
10Ja	10Jul	Treasury 8½pc '84-86‡‡	81½	3.6	10.45	13.93

Five to Fifteen Years

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
22Jul	22Ja	Exch. 13¼pc 1987	96¼	15.6	14.09	14.86
1N	1May	Funding 6½pc '85-87‡‡	76½	25.3	8.83	13.33
3 May	3N	Treas. 12pc 1987	91½	29.9	13.82	15.35
26Jul	26Ja	Treasury 7¾pc '85-88‡‡	75⅛	19.6	10.49	14.08
1Ja	1Jul	Transport 3pc '78-88	60¼	26.5	4.99	11.68
22Aug.	22F	Treasury 11½pc 1989	81⅝	16.7	14.25	16.02
15Ap	15Oct	Treasury 5pc '86-89	61½xd	8.9	8.09	12.71
15Jul.	15Ja.	Treasury 13pc 1990‡‡	91	8.6	14.67	15.45
22Sept	22Mar	Exch. 12½pc 1990	83¾xd	17.8	14.91	16.08
15D	15Jun	Treasury 8¼pc '87-90‡‡	73	11.5	11.65	14.17
10Jul	10Ja	Treasury 11¾pc 1991	81⅝	3.6	14.82	16.09
5Oct.	5Ap.	Funding 5¾pc '87-91‡‡	58⅞xd	1.9	9.72	13.51
25Ap.	25Oct.	Exch. 11pc 1991	74¼xd	19.3	14.52	15.92
22Jul.	22Ja.	Treasury 12¾pc '92‡‡	85⅞	15.6	15.22	15.98
21Aug.	21Fb.	Treasury 10pc 1992	72⅛	15.7	14.03	15.66
25Fb.	25Aug.	Exch. 12¼pc '92	81⅛	20.7	15.27	16.15
22Mar.	22S	Exchequer 13½pc '92	86⅞xd	17.8	15.62	16.19
14Ja.	14Jul.	Treasury 12½pc '93‡‡	83⅞	8.6	15.33	16.01
15Mar.	15S	Funding 6pc 1993‡‡	55½	6.8	10.83	13.67
23May	23N	Treasury 13¾pc 1993‡‡	91⅞	16.4	15.74	16.13
1S	1 Mar	Treasury 14½pc '94‡‡	92½	27.7	15.81	16.06
27O	27Ap	Exchequer 13½pc 1994	91	23.3	15.78	16.21
22F	22Aug	Exch. 12½pc 1994	81⅝	16.7	15.50	16.10
17May	17N	Treasury 9pc '94‡‡	69¼	10.4	13.61	14.94
25Jul	25Ja	Treasury 12pc '95	79⅞	18.6	15.39	16.02
1N	1May	Gas 3pc '90/95	44⅝	25.3	6.90	11.18
21Ja	21Jul	Exch. 10¼pc 1995	71½	15.6	14.69	15.64
15May	15N	Treasury 12¾pc '95‡‡	87	8.4	15.46	15.86
22Jul.	22Ja.	Treas. 14pc '96	90½	15.6	15.88	16.11
15S	15Mar	Treasury 9pc '92/96‡‡	65¼	6.8	13.82	14.96
3N	3May	Treasury 15¼pc '96‡‡	100¾	27.3	16.08	16.16
15N	15May	Exchequer 13¼pc '96‡‡	89⅝	8.4	15.58	15.89

Over Fifteen Years

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
—		Treas. 2pc I L. '96‡‡	93	—	2.37	2.88
1Ap	1Oct	Redemption 3pc 1986-96	43⅝xd	25.8	6.86	10.55
22Jul	22Ja	Treasury 13¾pc '97‡‡	87¼	15.6	15.58	15.85
21Aug	21F	Exchequer 10½pc 1997	71¾	15.7	14.82	15.50
1Mar	1S	Treasury 8¾pc 1997‡‡	64	27.7	13.78	14.75
1N	1May	Treasury 6¾pc '95-98‡‡	56⅛	25.3	12.59	14.81
30Mar	30S	Treas. 15½pc '98‡‡	96¼xd	24.8	15.95	16.00
20May	20N	Exch. 12pc 1998	81½	13.4	15.50	15.83
15Jul	15Ja	Treasury 9½pc 1999‡‡	68⅝	8.6	14.20	14.85
26S	26Mar	Exch. 12¼pc 1999	78⅝xd	20.8	15.54	15.88
19N	19May	Treasury 10½pc 1999	74⅛	13.4	14.89	15.37
14Ja	14Jul	Treas. 13pc 2000	85½	8.6	15.66	15.83
22N	22May	Treas. 14pc '98-01	92⅞	15.4	15.87	15.96
22Jul	22Ja	Exch. 12pc '99-02	79⅝	15.6	15.51	15.70
25Ja	25Jul	Treas. 13¾pc 2000-03	89¼	18.6	15.79	15.86
19S	19Mar	Treasury 11½pc '01-04	75⅜	13.8	15.26	15.46
14Ja	14Jul	Funding 3½pc '99-04	34⅝	8.6	10.31	12.04
21May	21N	Treasury 12½pc '03-05	84⅞	14.4	15.49	15.57
19Ja	19Jul	Treas. 2pc IL‡‡	90	—	2.37	2.59
5Ap	5Oct	Treasury 8pc '02-06‡‡	58xd	1.9	13.72	14.87
22Jul	22Ja	Treasury 11¾pc 03-07	78½	15.6	15.35	15.44
26S	26Mar	Treas. 13½pc '04-08	86¼xd	20.8	15.52	15.59
10Mar	10S	Treasury 5½pc '08-12‡‡	42⅝	4.8	12.95	13.29
26Jul	26Ja	Treasury 7¾pc '12-15‡‡	57¼	19.6	13.82	13.93
12 Jan.	12D	Exch. 12pc '13-'17	83¾	6.5	14.91	14.92

Undated

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1F.	1Aug.	Consols 4pc	28⅛	25.6	14.38	—
1Jun	1D	War Loan 3½pc‡‡	26¼	27.4	13.63	—
1Ap.	1Oct.	Conv. 3½pc '61 Aft.	31½xd	25.8	11.08	—
5Ap	5Oct	Treasury 3pc 66 Aft	20⅝xd	1.9	14.38	—
5Ja.A.J.O.		Consols 2½pc	17⅜xd	1.9	13.91	—
1Ap	1Oct	Treasury 2½pc	17⅜xd	25.8	14.33	—

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
—		Finland 14½pc Ln 1986	94	—	15.43	16.39
15F	15A.	Int. Bank 5pc '77/82	92	16.7	5.43	14.60
—		Do. 13½pc Ln 1986	93¼	—	14.48	15.68
15M	15S	Sweden 13½pc 1986	92	—	14.67	16.05

CORPORATION LOANS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
30A	31O	Bath 11¼pc 1985	87	31.3	12.93	15.60
1J	1D	Birm'ham 12½pc 1985	91¼	1.5	13.69	15.65
1J	1D	Burnley 13pc 1987	93¼	1.5	14.53	15.84
24A	24O	Cardiff 11pc 1986	88	24.3	13.15	15.74
25M	25N	G.L.C. 12½pc '82	98⅜	27.4	12.71	14.97
10F	10A	Do. 12½pc 1983	95½	12.7	13.08	15.29
15M	11N	Glasgow 9¼pc '80-82	94	23.4	9.84	15.12
1F	1A	Herts 6¾pc 1985-87	70	2.7	9.76	14.75
—		Leeds 13½pc 2006	82½xd	26.8	16.36	16.34
15M	15N	Liverpool 9¾pc '80-84	88	15.4	11.08	15.36
1Ja.A.J.O.		D. 3½pc Irred.	22¾xd	1.9	15.56	—
15M	15N	Lon. Corp. 13¾pc '83	96½	15.4	13.73	15.14
1A.	1O.	Do. 9¾pc '84-85	86¼	2.3	11.73	13.75
15J	15J	LCC 5½pc '82-84	79¾	15.6	6.90	14.43
11J	11D	Do. 5½pc '85-87	66	11.5	8.52	14.89
10Ja	10J	Do 6¾pc '88-90	61½	10.6	11.19	15.00
1M.J.S.D.		Do. 3pc '20 Aft.	19¼	1.5	15.54	—
15J	15D	Sunderland 12¼pc 1984	92	15.5	13.32	15.41

COMMONWEALTH AND AFRICAN LOANS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1A	1O	Aust. 5½pc '81-82	95½	28.8	5.75	13.99
1J	1D	Do. 6pc 1981-83	86½	30.4	7.08	14.26
1Ja	1J	N.Z. 7¼pc 1988-92	59¼	1.6	12.45	15.24
15J	15D	Do. 7½pc '83-86	75½	15.5	10.19	15.54
1A	1O	S. Rhod. 2½pc Non-Ass.	139	3.66	—	—
—		Do. 3½pc 80-85 Asstd.	60	10.8	6.00	18.80
—		Do. 4½pc 87-92 Asstd.	39	7.7	11.66	17.60
—		Zimbabwe Ann (£100pa)	340xd	—	—	22.34

LOANS

Public Board and Ind.

Financial

Building Societies

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Dec.	July	Hoskins & H 20p	148	10.9	2.8	—	2.6	—
Feb.	Oct.	Howard Tenens	62	20.8	1.55	0.6	3.6	68.8
Nov.	July	Hunting Assoc.	300	15.6	5.8	5.2	2.4	7.6
July	Nov.	Huntleigh 10p	128xd	14.9	†1.5	4.2	6.9	14.5
December		Hutch Whamp $HK1	163	12.5	Q34c	◆	1.9	◆
Oct.	July	Hyman (I. & J.) 5p	12½	1.5	0.83	3.9	9.5	3.8
Au.Jy.O.Ja.		I.C. Industries	£17⅞	9.6	Q52.20	—	7.0	—
July	Feb.	ICL	29	24.12	†2.97	—	‡	—
May	Nov.	Ingall Inds. 10p	40	1.9	2.5	2.6	8.9	11.1
Jan.	Aug.	Initial Services	235	10.8	9.0	2.3	5.5	10.8
Aug.	Dec.	Inter-City 20p	16½	11.79	—	—	—	—
Jan.	July	J. B. Holdings 10p	80	1.6	3.0	4.9	5.4	5.2
August		Jackson Bourne	178	13.7	5.0	1.4	4.0	26.3
August		Jones (M.) Ind. 10p	23½	29.6	1.0	3.3	6.1	5.5
Nov.	June	Jardine M. $HK5	164	25.8	Q88c	2.0	5.0	10.1
Apr.	Dec.	Jentique	18	16.3	†1.09	—	‡	—
November		Johnston & Barnes	7ϕ	11.75	—	—	—	—
Oct.	Apr.	Johnson Clean.	233	21.8	†7.0	3.4	4.3	7.6
Feb.	Aug.	Johnson Mthy. £1	270	29.6	9.5	2.3	5.0	(9.8)
Oct.	June	Jourdan (T.) 10p	80	22.8	5.25	1.8	9.4	8.5
May	Dec.	Kalamazoo 10p	47	1.5	‡3.75	1.4	‡	7.7
Feb.	July	Kelsey Inds.	139	1.6	‡8.0	4.7	8.2	3.7
Oct.	April	Kennedy Sm. 10p	144	28.8	4.38	3.2	4.3	10.2
Nov.	April	Kershaw (A.) 5p	255xd	14.9	21.75	0.6	12.2	(9.8)
Jan.	Aug.	Kleen-E-Ze Hldgs.	60	24.7	5.5	0.7	13.1	(17.5)
Jan.	Aug.	L.C.P. Hlds.	67	29.6	4.3	2.0	9.2	(6.6)
Oct.	April	L.R.C. Intl. 10p	46½	10.8	2.5	1.6	7.7	10.5
Dec.	May	Lawtex	42	30.3	‡4.0	1.6	‡	(11.1)
July	Nov.	Lead Inds. 50p	166	1.5	9.66	1.2	8.5	13.6
Jan.	Aug.	Leadenhall Sterling	70	1.5	3.5	2.8	7.1	6.4
Mar.	Oct.	Lep Group 10p	310	28.9	16.5	2.1	7.6	7.2

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

INSURANCE

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Acmex 50c	42	—	Q2.5c	—	3.7
—		ACM 20c	27	—	—	—	—
—		Argosy Gold NL 25c	12	—	—	—	—
—		Bond Corp.	162	—	Q10c	◆	3.9
Nov	Apr.	Bougainville I Kina	99	7.3	[illegible]	1.0	‡
—		CRA 50c	226	16.3	Q19c	1.7	5.1
—		Canada Northwest	12½	—	—	—	—
—		Carr Boyd 20c	16	—	—	—	—
—		Central Pacific	52	—	—	—	—
—		Cons. Gold Min. N.L. 50c	12	—	—	—	—
—		Cultus Pacific N.L.	17	—	—	—	—
—		Eagle Corp. 10c	32	—	—	—	—
—		Endeavour 20c	26ϕ	—	—	—	—
June		G. M. Kalgoorlie 25c	515	5.79	Q32½c	◆	3.9
—		Great Eastern	10	—	—	—	—
—		Greenbushes Tin 50c	95	—	Q6c	1.9	3.8
Sept.	Feb.	Hampton Areas 10p	165	29.6	2.5	3.1	1.9
—		Haoma Gold N.L.	36	—	—	—	—
—		Intl. Mining	22	—	—	—	—
—		Jimberlana (50cFP)	37	—	—	—	—
—		Kalbara Min 20c	12	—	—	—	—
—		Kitchener NL 25c	180	—	—	—	—

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Colby Res. Corp.	165	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	310	30.6	tQ30c	1.8	5.5
—		††Explaura Gold	9½	—	—	—	—
—		††Hemerdon 10c.	53	—	—	—	—
—		Highwood Res.	95	—	—	—	—
—		Northgate C$1	340	9.77	—	—	—
Jan.	July	R.T.Z.	495	18.5	16.0	3.2	4.7
—		Do. 9¼% Cv. Uns. Ln. '95-2000	£113	18.5	Q9½%	—	(8.1)
—		††SPO Minerals 10p	15	—	—	—	—
—		Sabina Inds. C$1	20	—	—	—	—
—		††SWCM 10p	29	—	—	—	—
—		Tara Exptn. $1	562	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- § Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

ϕϕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ☆☆ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	43	......	Conv. 9% '80/82	£92½	......
Bertrams	9	......	Nat. 9¾% 84/89	£69¼	......
Bdg'wtr. Est. 50p	435	......	Fin. 13% 97/02	£73¼	......
Craig & Rose £1	£15	......	Alliance Gas	63	......
Finlay Pkg. 5p	21	−1	Arnott	225	......
Graig Ship. £1	£21	......	Carroll (P.J.)	79½	......
Higsons Brew	65	......	Concrete Prods.	90	......
Holt (Jos) 25p	548	......	Helton (Hldgs.)	27	......
I.O.M. Stm. £1	167	......	Irish Ropes	44	......
Pearce (C. H.)	858	......	Jacob	66	......
Peel Hldgs.	101	......	T.M.G.	16	......
Sheff. Refrshmt	90	......	Unidare	76	......
Sindall (Wm.)	194	......			

OPTIONS

3-month Call Rates

Industrials		House of Fraser	16	Utd. Drapery	6½
A. Brew	6½	I.C.I.	20	Vickers	18
BOC Intl.	11	"Imps"	7	Woolworths	6
B.S.R.	7	I.C.L.	6		
Babcock	11	Ladbroke	30	**Property**	
Barclays Bank	36	Legal & Gen.	20	Brit. Land	8
Beecham	18	Lex Service	10	Cap. Counties	11
Blue Circle	35	Lloyds Bank	20	Land Secs.	37
Boots	20	"Lofs"	4½	MEPC	20
Bowaters	24	London Brick	7	Peachey	15
Brit. Aerospace	17	Lucas Inds.	33	Samuel Props.	13
B.A.T.	25	"Mams"	28	Town & City	2¼
Brown (J.)	9	Mrks. & Spncr	11		
Burton Ord.	14	Midland Bank	26	**Oils**	
Cadburys	7½	N.E.I.	8	Brit. Petroleum	33
Courtaulds	7	Nat. West. Bank	32	Burmah Oil	16
Debenhams	10	P & O Dfd.	12	Charterhall	8
Distillers	17	Plessey	20	KCA	22
Dunlop	8½	Racal Elect.	34	Premier	7½
Eagle Star	25	R.H.M.	5	Shell	32
F.N.F.C.	3	Rank Org. Ord.	15	Tricentrol	30
Gen. Accident	30	Reed Intnl.	25	Ultramar	44
Gen. Electric	60	Sears	5		
Glaxo	23	Tesco	5½	**Mines**	
Grand Met.	12	Thorn EMI	50		
G.U.S. 'A'	60	Trust Houses	15	Charter Cons.	21
Guardian	50	Tube Invest.	12	Cons. Gold	45
G.K.N.	15	Turner & Newall	10	Lonrho	9
Hawker Sidd	25	Unilever	50	Rio T. Zinc	45

"Recent Issues" and "Rights" Page 24

FINANCIAL TIMES

Monday September 21 1981

Ministers to meet on French bank takeovers

By Terry Dodsworth in Paris

THE FRENCH Government's top economic ministers will decide today whether to override official legal advice advocating the nationalisation of the largest foreign banks established in Paris.

There were strong indications over the weekend that some ministers, including M Jacques Delors, the moderate economics supremo, remained strongly opposed to the nationalisation measures being extended to take in the foreign banks.

But a decision along these lines would mean rejecting the views of the Conseil d'Etat, the Government's legal advisory body.

The Conseil, which finished its deliberations on the Government's draft nationalisation Bill on Friday, believes that the exclusion of the larger foreign banks would discriminate against their French counterparts in a manner contrary to the French constitution.

The Conseil argued that the Government's criteria for nationalisation of French banks—a minimum deposit level of FFr 1bn ($175m)—should apply to all banking operations in France.

This would mean taking over the French business of a number of foreign banks—including Barclays and BCT Midland of the UK, Neuflize Schlumberger, Maller of the Netherlands and several U.S. banks, among them Morgan Guaranty and Bank of America.

The U.S. particularly is expected to object to such a move.

Today's ministerial meeting, which will put the finishing touches to the wide-ranging nationalisation Bill, is not obliged to follow the ruling of the Conseil d'Etat. But if it choses to ignore its advice, it risks having the project put to the Conseil Constitutionnel, which has the final voice on constitutional matters, and which might decide to uphold the view of the Conseil d'Etat.

An alternative move would be to raise the threshold of deposits on which to base nationalisation to a little over FFr 3bn, thus excluding the foreign-owned networks. This course is unlikely, however, since it would mean allowing some significant French banks, including Rothchilds, to slip through. It would also be extremely difficult to sell the plan to the Socialist majority in the National Assembly.

Foreign bankers yesterday believed that M Delors, who has emphasised the need to retain foreign confidence in France, was likely to succeed in having foreign banks excluded from the nationalisation programme.

Continued from Page 1

French

The underlying view of the exchange market remains that the French and West German governments will eventually be forced to some readjustment within the EMS, as was widely forecast even before the Socialist victory.

Yesterday's measures on foreign exchange come in addition to a batch of controls announced last May which include:

- A limit of two days on the amount of time importers are allowed to hold foreign currency for cash deals.
- A requirement for exporters to surrender foreign curency received for settlement of orders within one month after the despatch of goods, rather than within six months after the arrival.
- The establishment of a dollar-premium type of system for French residents buying stock overseas. This effectively means that the global amount of French currency being spent on overseas shares is not increasing at present. The dollar premium is trading at about 35 per cent above the official rate.
- A ceiling over which overseas investments have to be officially authorised of FFr 1m against FFr 5m previously. In addition, overseas investments have to be financed for the most part by borrowing on international markets.

Continued from Page 1

Romania

So far Romania has been able to reduce sharply its trade deficits with its major trading partners—West Germany, the U.S., France and Italy. But this year's poor grain and potato harvests mean that imports of fodder from the U.S. may be increased if food consumption is not to drop.

Reuter reports from Bucharest: The Romanian Agriculture Minister, Mr Angelo Miculescu, has been sacked because of his failure to meet this year's food production targets.

A leading economic adviser to the Government, Mr Tosif Banc, has also lost his job.

West German initiative on closer EEC co-ordination

BY JONATHAN CARR IN BONN

THE WEST GERMAN Cabinet has approved a new move to try to boost political co-operation between the member States of the European Community — especially in foreign and security affairs.

At the same time, the Cabinet repeated its call for changes in the EEC's farm policy and budget, stressing that Bonn expected a "perceptible and suitable relief" in its net contributions to Brussels.

This "twin track" decision marks an attempt to bring together the differing emphases in EEC policy of the Bonn Foreign and Finance Ministries.

Herr Hans Dietrich Genscher, the Foreign Minister, strongly believes that unless Europe can take a new political step forward, its existing policies are threatened with collapse.

But the Finance Ministry stresses that West Germany's domestic budget problems are now so great that its payments to the EEC cannot increase at their previous rate. The Ministry notes that last year Bonn paid DM 4.8bn (£1.15bn) more to Brussels than it received, and that this year the figure is likely to be between DM 6bn and DM 7bn (£1.4bn and £1.7bn).

The upshot is that the Germans are attempting a political initiative in Europe, while insisting on a limit to their budget payments — perhaps on the lines of that already agreed for Britain.

The danger long seen here is that a stand by Bonn on the budget could undermine Herr Genscher's strategy.

The Cabinet authorised Herr Genscher to proceed with talks with other EEC member states aimed at drawing up a "basic declaration" on a European Union.

One main object of this document would be to tie into the European Community framework the discussions on European "foreign" political co-operation at present held only on an informal basis between member states.

Also envisaged is closer co-ordination of security policies—a field not specifically covered in the Treaty of Rome establishing the EEC—and the bringing in of a crisis mechanism, enabling EEC Foreign Ministers to react together more quickly in an international emergency.

Herr Genscher does not seem to have received formal backing from his Cabinet colleagues for all his ideas. For example, he would prefer to aim for a formal treaty on European Union, despite problems of ratification in some member states, but there is no mention of this in the official report on the Cabinet session.

Further, several members of the Government are said to feel sceptical about the real value of a new document at this stage.

However, the Foreign Office believes that the initial response in the EEC to Herr Genscher's ideas has been encouraging. The Italians are very enthusiastic, the response from the Benelux countries has been encouraging, and Britain is keen on at least some elements of the plan. A question-mark appears to hang over the French attitude.

Fanuc plans Luxembourg factory

BY HAZEL DUFFY IN TOKYO

FANUC, the Japanese electronics company which is associated with the Fujitsu group, plans to set up its first European manufacturing operation. The move is in line with the growing acceptance in parts of Japanese industry that it needs to manufacture in markets where it enjoys substantial sales.

Dr Seiumon Inaba, president of Fanuc, arrives in West Germany this week to discuss the project with Siemens. Fanuc has a long association with Siemens, which markets Fanuc products in Europe, and Dr Inaba emphasised in Tokyo last week that the project will be subject to approval by Siemens.

Fanuc says the factory will be sited in Luxembourg, and will make numerical control systems for machine tools, and possibly robots. Fanuc is the world leader in numerical control, supplying Japanese and foreign manufacturers. The company also makes robots, and it is expected that the Luxembourg factory will be highly automated similar to that which Fanuc opened recently near Mount Fuji.

Dr Inaba has also expressed interest in co-operating further with Britain's 600 Group, which already has a marketing arrangement for robots with Fanuc. Robots were singled out by Sir Keith Joseph last week in discussions with the Japanese Government about prospects for Anglo-Japanese collaboration on advanced technology as being fairly promising.

The Luxembourg project is likely to be a joint venture between Fanuc and Siemens. Dr Inaba said the new company would probably have a Japanese president, but the rest of the management would be European.

Fanuc's Mt Fuji plant, opened last December, has quickly established itself as a Mecca for foreign visitors who are anxious to see the way Japan is preparing itself for development of advanced manufacturing systems.

It makes industrial robots, electro-discharge machines and other electronic machine tools and is equipped with what Fanuc claims to be one of the world's most advanced flexible manufacturing systems, including an unmanned machining system.

Ford warned of 'confrontation'

BY NICK GARNETT, LABOUR STAFF

FORD was warned by its unions yesterday that it faced a "confrontation" with its workforce if it attempted to institute compulsory redundancies during its short-term job reduction programme.

Speaking after a meeting of 240 shop stewards in Coventry which endorsed the unions' claim for a rise of at least £20 across the board, Mr Ron Todd, Transport and General Workers' Union national organiser and senior Ford union negotiator, said compulsory redundancies would lead to the "strongest possible resistance" from the unions. "We could then be in a major confrontation," he said.

The company has so far made no reference to compulsory redundancies in the programme, which involves about 2,000 job losses and is separate from the "After Japan" productivity proposals. These proposals envisage a reduction of a tenth in the workforce per year over a four-year period.

Instead, management has made proposals on voluntary redundancy and early retirement which it will be putting to the workers.

Mr Todd said yesterday that any co-operation the unions were willing to give on the After Japan scheme — which includes radical changes in manning and demarcation — might be partly governed by the way in which the company responded to this year's pay and conditions claim.

The claim — which also includes a 35 hour week, improved pensions and early retirement— will be submitted on October 9 with the company due to respond on October 30. The current agreement runs out on November 24.

The shop stewards, representing Ford's 56,000 manual employees, endorsed the position of their negotiators in telling the company that the negotiations on pay, hours and pensions must be separated from any long-term productivity discussions.

Japanese want small vans to be exempt from restraint agreement

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE JAPANESE are pressing for some types of light commercial vehicles to be excluded from the voluntary restraints which are supposed to hold their share of the British market below 11 per cent.

But the move is bound to get a frosty reception when talks between the Japanese and UK motor industries begin in London today.

The Japanese maintain that the vehicles concerned, micro-vans and 1-ton pick-ups, have no British or European equivalents, and that therefore there is no logical reason for including them in the restraint procedures.

The voluntary restrictions by the Japanese, after all, are supposed to be of limited duration while the British industry reshapes and, possibly, recovers.

The British argue, however, that commercial vehicles are not like cars. Nearly every one sold is bought to do a particular job. It follows that every Japanese commercial vehicle sold—of whatever type—costs the sale of a vehicle made in the UK or on the Continent.

The micro-van is an example. These are very small, purpose-built vans used for short-haul urban deliveries. Florists and television dealers are typical customers. The best-known example in Britain is the Honda Acty.

The British industry insists that the Japanese micro-vans have simply been snatching business away from those vans based on car bodies and mechanicals and therefore described as car-derived. BL's Mini 850 van has suffered greatly.

Perhaps that is not surprising given that in 1978 when the new Acty was launched, its price was £2,264 compared with the Mini van's £1,845. The May 1981 price of the Acty was £2,209 while the Mini was up to £2,406.

As for the 1-ton pick up trucks, these open-backed vehicles often have cabs fitted out to well-equipped car standards. They are also much more socially acceptable than conventional commercials.

In spite of this added attraction, the Europeans reckon that so far there has not been enough demand to make it worthwhile to set up production facilities.

For this reason Bedford, the General Motors subsidiary, is bringing into the UK 1-ton pick ups made in Japan by Isuzu.

The UK industry maintains that sales of such vehicles hit demand for vans such as Ford's Transit or BL's Sherpa.

BL dissatisfied

The issue came to a head in July after talks between the Japanese and UK industries in Sapporo, Japan.

BL was so dissatisfied with the outcome that it said the UK Government should be more closely involved in future negotiations.

So far the talks about voluntary restraints have been between the UK Society of Motor Manufacturers and Traders and the Japanese Automobile Manufacturers Association.

BL maintained that earlier in the year the Japanese had agreed that shipments of light commercials to the UK should be "closely equated" to those of cars.

So the British expected the Japanese would aim for a market share of no more than 11 per cent of the light commercial market in 1981. But at the half-year their penetration was more than 17 per cent and remained at 16.6 per cent after seven months.

The outburst by Sir Michael Edwardes, BL's chairman, had the effect the group was looking for. In August the Japanese companies suspended shipments of light commercials to the UK and they still have not decided whether exports should begin again.

Some in the British industry suggest that because 24,000 light commercials have already been shipped, the Japanese market share will reach 15 per cent this year even if no more are exported in 1981.

It is very difficult—but not impossible—for the Japanese manufacturers to stop their (often independent) distributors selling any more vehicles, and thus bring down the market share.

But Sir Keith Joseph, in Japan last week, seemed to be dropping a hint that this is what they should do. In talks with Mr Rokusuka Tanaka, Minister of International Trade and Industry, Sir Keith said the Japanese motor industry must understand how discredited it would be if the level of sales covered by the voluntary agreement continued to be exceeded for the rest of the year.

The Japanese argue that nobody could have foreseen the sharp drop in light commercial sales experienced in Britain this year—nearly 21 per cent by the end of August. They claim they were wrong-footed by the severity of the drop.

Poles say output will fall 13% this year

By Christopher Bobinski in Warsaw

POLISH industrial output will fall by 13 per cent this year, says Mr Zbigniew Madej, head of the Polish Government Planning Commission. If the present decline in coal production continues, industry's performance will slump a further 10 per cent in 1982.

Without greater output from the mines, Mr Madej warned in an interview with the economic weekly Zycie Gospodarcze, the country would be overtaken by an "economic catastrophe" and all consumer goods would have to be rationed.

Production of coal, the main industrial fuel and biggest single hard-currency export, would drop 15 per cent this year, Mr Madej predicted.

Cement factories will produce 30 per cent less than last year, steelworks 17.6 per cent less and copper output will drop 5 per cent.

Incomes have risen by 31 per cent, and supplies of consumer goods by 7.7 per cent.

Mr Madej has prepared three economic scenarios for next year based on forecasts of coal output.

At current productivity rates the mines would produce only 155m tonnes of coal in 1982, compared with an expected 164m tonnes this year.

At the other extreme, if coal output could be increased to 175m tonnes industrial production would go up by 5 per cent in what Mr Madej described as the "variant of hope."

He appears to favour a middle course—the "realistic variant." Based on productivity schemes, better food supplies for miners and increased employment in the mines, this would raise coal output to 168m tonnes and stop the slide in production.

The plans show that no agreement has been reached so far as to whether the Soviet Union and the other East bloc Governments are prepared to continue to tolerate a large Polish deficit in Comecon trade in 1982.

A further uncertainty concerns Poland's huge Western debt repayments next year, and her prospects for new financing. For the moment the planners, in their realistic variant, are assuming that $6.1bn worth of debt service payments will be refinanced and that the country will raise $4.2bn worth of commercial credits to finance imports in 1982.

With coal production at 168m tonnes next year, 17.2m tonnes would go for export compared with the expected 16.9m tonnes of sales abroad this year.

This would give hard currency export earnings worth $6bn, enough to cover the bill for hard currency imports. This year's hard currency export earnings are expected to reach $5.5bn, with imports at $5.9bn.

Weather

UK TODAY

SHOWERY with some sunshine.

England, Wales, Isle of Man, Channel Islands.
Showers, some heavy, sunny intervals. Max. 14C-17C (57F-63F).

Scotland, Orkney, Shetland and N. Ireland.

Outlook: continuing unsettled. Below or near normal.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	25	77	L. Ang.†	S	18	64
Algiers	S	31	88	Luxmbg.	F	20	68
Amsdm.	C	16	61	Luxor	S	34	93
Athens	S	27	81	Madrid	S	26	79
Bahrain	S	37	99	Majorca	S	27	81
Beirut	S	27	81	Malaga	S	26	79
Belfast	F	13	55	Malta	S	26	79
Belgrd.	C	23	73	M'chestr	F	15	59
Berlin	C	18	64	Melbne.	S	17	63
Biarritz	F	29	84	Miami†	C	24	75
Bmghm.	F	15	59	Milan	R	20	68
Blackpl.	S	15	59	Montrl.†	S	10	50
Boulgn.	R	16	61	Moscow	R	7	45
Bristol	S	16	61	Munich	F	21	70
Brussels	R	15	59	Naples	S	25	77
Budpst.	F	20	68	Nassau	S	32	90
Cairo	S	30	86	Nwcstl.	F	15	59
Cardiff	S	16	61	N York†	C	14	57
Cas'b'ca	S	24	75	Nice	S	24	75
Cape T.	S	16	61	Nicosia	S	28	82
Chicg.†	S	13	55	Oporto	C	20	68
Cologne	R	21	70	Oslo	C	11	52
Cpnhgn.	R	14	57	Paris	C	23	73
Corfu	S	27	81	Perth	R	16	61
Denver†	S	15	59	Prague	R	17	63
Dublin	F	14	57	Rykjvk.	F	12	54
Dbrvnk.	F	24	75	Rhodes	S	26	79
Ednbrgh.	F	13	55	Rio J'o†	S	38	100
Faro	S	24	75	Rome	S	28	82
Florence	C	26	79	Salzbrg.	F	22	72
Frankft.	C	20	68	S'cisco†	S	12	54
Funchal	S	25	77	Singapr.	R	29	84
Geneva	S	24	75	S'tiago†	S	20	68
Gibrltr.	S	27	81	Stckhm.	R	10	50
Gl'sg'w	R	13	55	Strasbg.	F	23	73
G'rnsey	R	14	57	Sydney	R	18	64
Helsinki	F	9	48	Tangier	F	23	73
H. Kong	R	31	88	Tel Aviv	F	27	81
Innsbrk.	S	21	70	Tenerife	S	27	81
Invrnss.	R	12	54	Tokyo	R	21	70
I.o.Man	F	15	59	T'rnto†	S	8	46
Istanbul	S	23	73	Tunis	S	31	88
Jersey	R	15	59	Valencia	S	29	84
Jo'burg	S	28	84	Venice	S	23	73
L. Plms.	S	25	77	Vienna	F	17	63
Lisbon	F	22	72	Warsaw	F	16	61
Locarno	C	20	68	Zurich	F	21	70
London	C	16	61				

C—Cloudy. F—Fair. R—Rain. S—Sunny.
† Noon GMT temperatures.

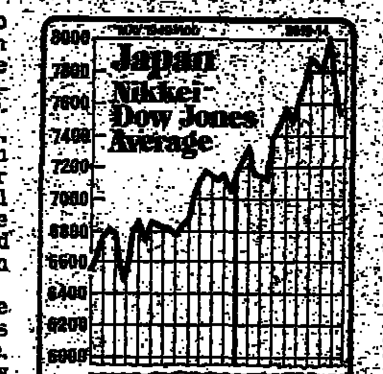
THE LEX COLUMN

Tokyo looks for fresh impetus

When rumours reached Tokyo late last week that Mr Joseph Granville, the former scourge of the New York Stock Exchange, was recommending purchases of Japanese blue chips, local investors took heed. Even though the rumours later proved unfounded, traditional foreigners' favourite, like Canon and Hitachi, gained between 3 and 5 per cent in a matter of hours.

Apart from adding a little spice to a market which has been losing its glamour image, the buying underscored how sensitive Tokyo remains to suspected overseas activity. Even after the heavy accumulation of 1980 and early 1981, foreign holdings of Japanese equity represent only about 7 per cent of a market capitalised at close to $370bn.

Once again the Tokyo market is hoping that foreign buyers will provide fresh momentum. Japanese investment trusts, confronted with a fairly high level of net redemptions, have been sellers in the market throughout the year while margin traders have been squeezed by relatively high short-term interest rates and more stringent margin requirements. The Tokyo Dow Average has fallen 6 per cent since the all-time high of 8,019 was reached on August 17.



Foreign sellers

Foreigners have been net sellers since the market peak, but there has been no wholesale flight from Japanese equities. New funds have been syphoned off into the convertible debt offerings by Japanese companies which were flooding the Euromarket until recently, and profits have been taken on the blue chip export-oriented stocks. The proceeds are often being reinvested in basic industrial sectors, such as steel and textiles.

The switching is evident from the highly divergent performance of leading shares on the market. The falls have been heaviest among those high technology companies which led the market's rise last year. Matsushita Electric, which was trading on 30 times prospective earnings a month ago, has since fallen 20 per cent. Yet Nippon Steel, Japan's largest steel producer, has held its own against a falling market.

The tentative shift towards basic industries partly reflects the slowly improving prospects for Japan's domestic economy, which has disappointed the high expectations of Japan's economic forecasters so far this year. Real GNP growth in 1981 is likely to exceed 4 per cent but the principal momentum at the moment is from exports. The external sector contributed around three-quarters of the second quarter growth of 1.6 per cent.

The domestic economy has suffered from the effects of a deflationary budget and relatively high real interest rates. A discount rate of 6¼ per cent may not sound much in London or New York but, with inflation now running not much above 4 per cent, it has been enough to hold consumer spending in check.

Exports should show a rise of around 10 per cent in volume terms this year. In a foreign exchange market dominated by short term interest rate considerations, the yen has suffered —notably against the dollar— and the export trade has benefited accordingly.

This picture is now changing, albeit slowly. Japanese exporters are increasingly concerned about the threat of further trade restrictions if western markets remain crippled by low growth and high unemployment. At the same time, the Japanese government is considering steps to stimulate the level of domestic demand through, for example, the acceleration of spending by utilities and the relaxation of conditions on public sector housing loans. Extensive inventory adjustments by Japanese companies in the last month or two suggest that some re-stocking may take place in the final quarter.

But the long awaited improvement in consumer demand is not entirely assured. Summer bonuses to employees were low and the outlook for interest rates remains cloudy.

The government was obliged to concede an increase of 0.4 per cent to 8 per cent in the coupon it pays on long term debt earlier this month, a move which is likely to be reflected soon in long term corporate lending rates. And short term rates are still living in the shadow of the U.S. dollar.

But even if persistently high real interest rates slow the improvement in demand, the corporate sector will benefit from soft commodity prices, particularly for oil, and a recent period of heavy capital investment. Spending on plant and equipment by major Japanese companies jumped by almost a quarter last year, in the wake of the 1979 oil shock, and the productivity gains are now showing through.

The Nomura Research Institute, Japan's largest think-tank, is expecting corporate profits to increase by 35.4 per cent in the second half of the fiscal year to March 1982. Among the strongest gainers should be steel, shipbuilding and textiles. The improvement, which follows a 5.2 per cent decline in the first half, is expected to be maintained in 1982.

Exchange rate

The fortunes of the export-oriented consumer goods companies, like those of the foreign investor, will vacillate with the exchange rate. The yen may be undervalued in terms of purchasing power parity against the dollar, but the interest rate differential on one month eurocurrency deposits is still around 10 per cent.

And while the growing current account surplus is pointing to a stronger yen, the long-term capital account has shifted into deficit. So with the Bank of Japan giving a comparatively free hand to the market, interest rates are still an overriding factor.

There are certainly risks attached to the Tokyo market, with p/e's averaging around 20 on conservatively stated earnings and a worringly high rate of new equity issues in recent months. But the yen is now appreciating against the dollar, standing at around 225 compared with a mid-year low of 247. And Tokyo still offers international fund managers a wide range of highly productive industrial companies which consistently perform better than the rate of inflation.

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